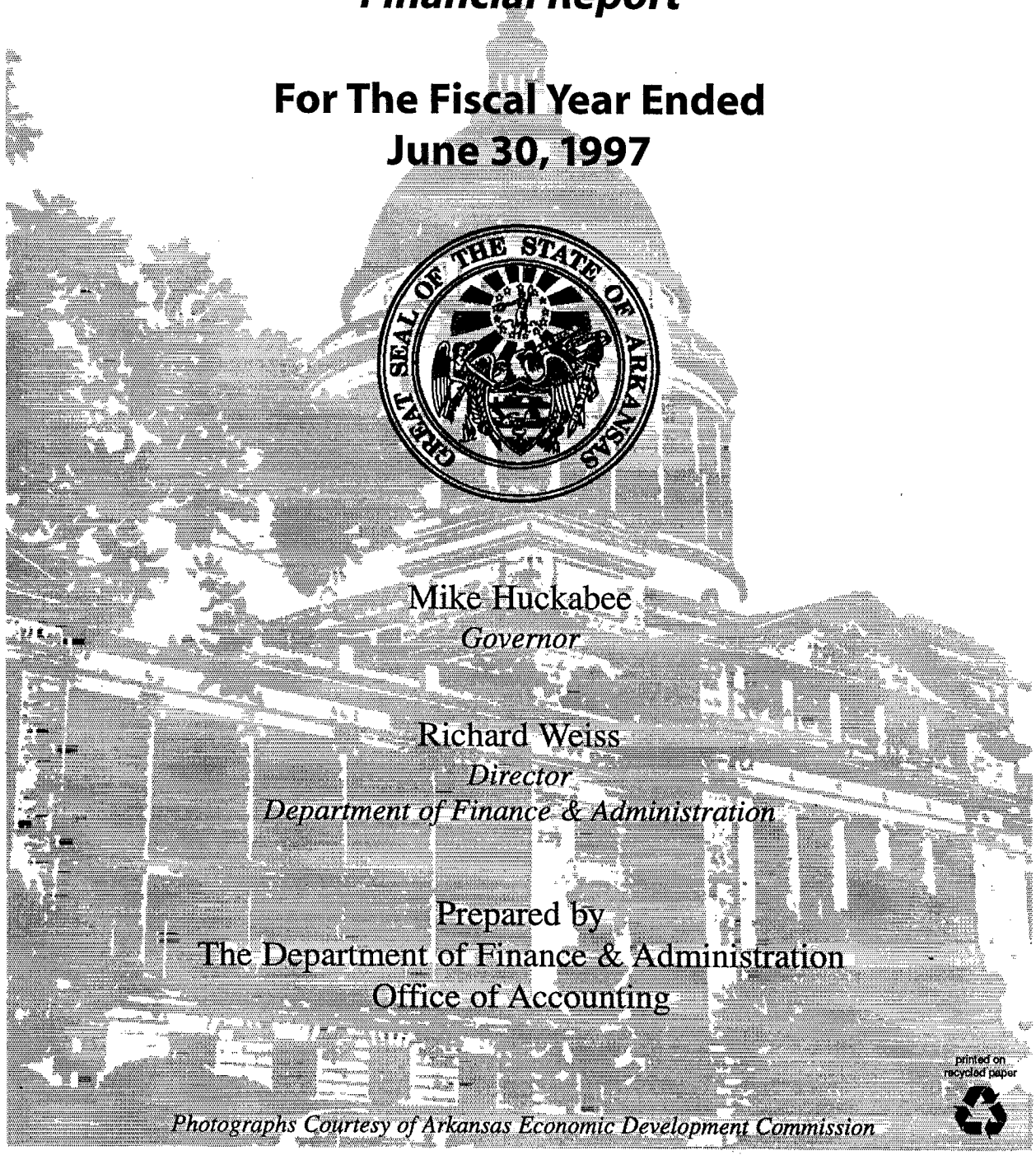
ARKANSAS

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 1997



Mike Huckabee
Governor

Richard Weiss
Director
Department of Finance & Administration

Prepared by
The Department of Finance & Administration
Office of Accounting

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Photographs Courtesy of Arkansas Economic Development Commission

Governor Mike Huckabee

STATE OF ARKANSAS
OFFICE OF THE GOVERNOR
State Capitol
Little Rock 72201

Mike Huckabee
Governor

November 17, 1997

To the Citizens of Arkansas
and the Honorable Members of
the Legislature:

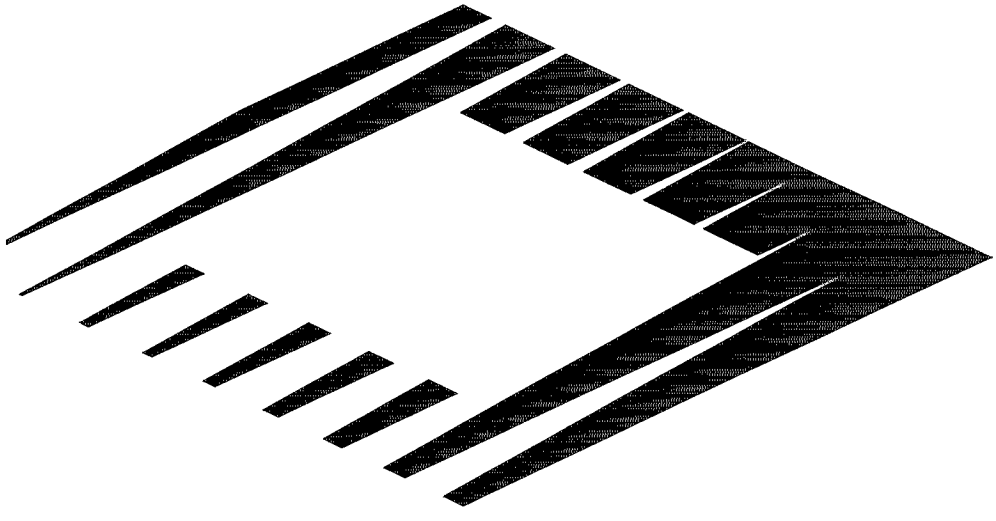
I submit to you the *State of Arkansas Comprehensive Annual Financial Report* ("CAFR") with pride in our accomplishments and commitment to move forward. This report, the third audited for the State of Arkansas (the "State"), is for the fiscal year that ended June 30, 1997. This report is an important part of our effort in timely and accurate financial reporting. It provides us a complete picture of the State's financial status and is an excellent means to meet continuing disclosure responsibilities to the national credit markets.

The State's 1996 CAFR represents a significant milestone in Arkansas' efforts to continually improve its accounting and financial reporting practices as it was presented the Government Finance Officers Association's *Certificate of Achievement for Excellence in Financial Reporting.* This prestigious award represents an accomplishment of which I am quite proud and a first for the citizenry of Arkansas. I am confident that the Department of Finance and Administration will continue to participate in this highly prestigious program.

My sincere thanks to the Department of Finance and Administration for its commitment to this project and to the other state agencies that cooperated to complete it.

Sincerely,

Mike Huckabee
Governor



ACKNOWLEDGMENTS

Report prepared by the Department of Finance and Administration Office of Accounting:

Richard Weiss
Director

Tom Smith, CGFM
Administrator of Office of Accounting

Financial Reporting Staff:

Ron Hopper, CGFM
George Lepper, CPA
Joe Norton

Special appreciation is given to Christy Frames, Arkansas Economic Development Commission, who assisted in the design of the cover and divider pages and to all personnel throughout the State, whose extra effort to contribute accurate, timely financial data for their agencies, made this report possible.

STATE OF ARKANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 1997

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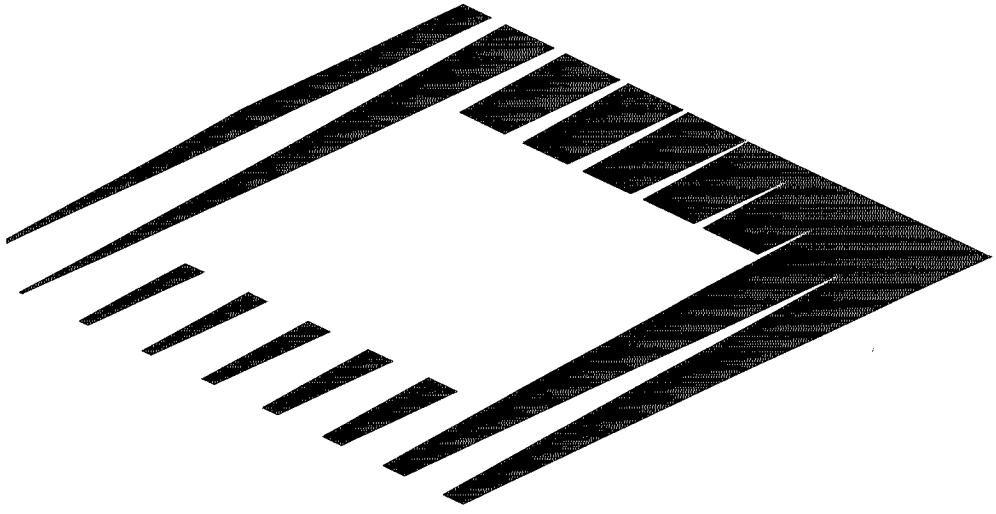
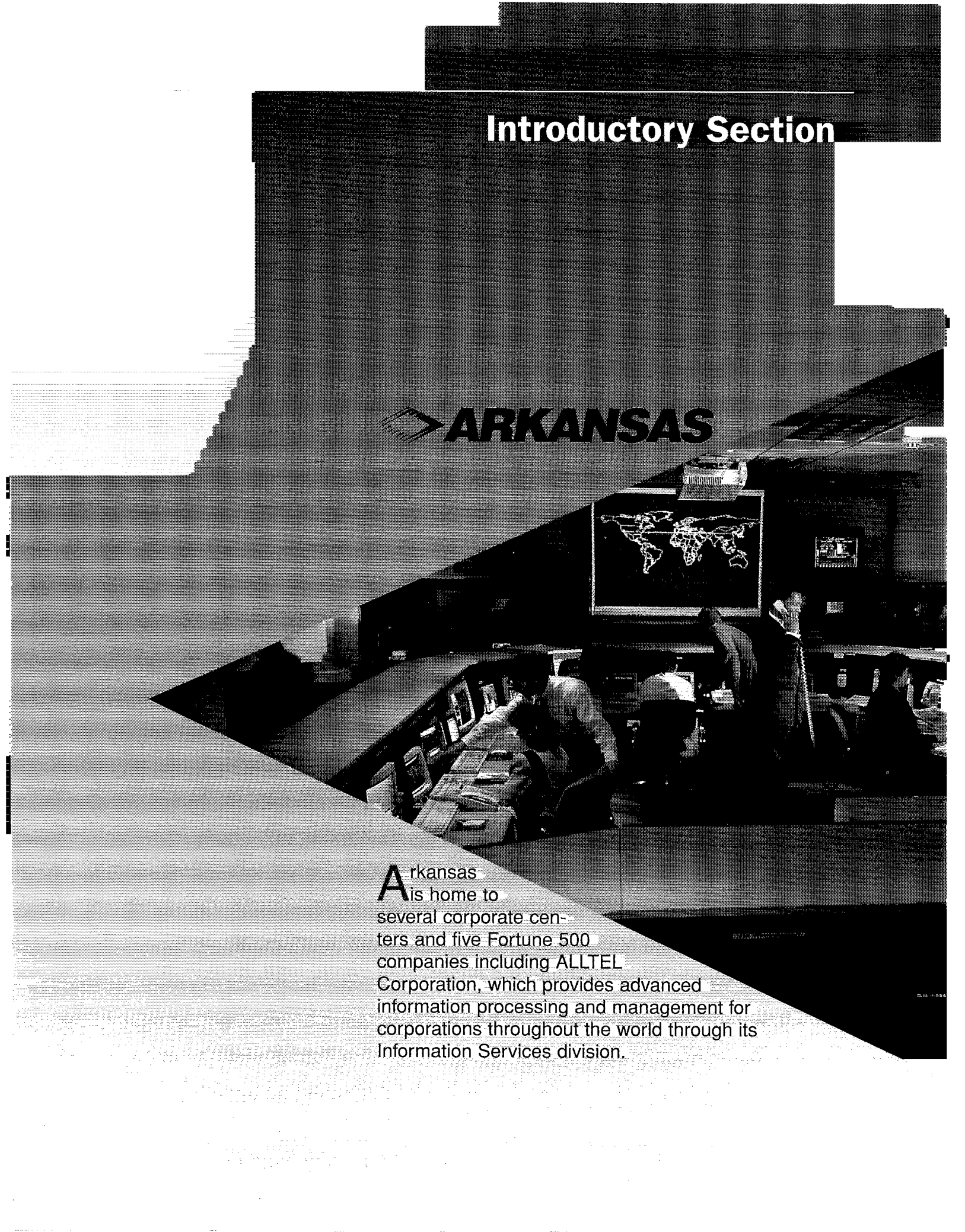


Introductory Section



Arkansas is home to several corporate centers and five Fortune 500 companies including ALLTEL Corporation, which provides advanced information processing and management for corporations throughout the world through its Information Services division.

STATE OF ARKANSAS

PRINCIPAL OFFICIALS

Elected Officials

Governor
Mike Huckabee

Lt. Governor
Winthrop Paul Rockefeller, Jr.

State Treasurer
Jimmie Lou Fisher

State Auditor
Gus Wingfield

Secretary of State
Sharon Priest

Attorney General
Winston Bryant

Land Commissioner
Charles Daniels

Legislative Branch

President Pro Tempore
Stanley Russ

Speaker of the House
Bobby L. Hogue

Supreme Court

Chief Justice
"Dub" Arnold

Associate Justice
Robert Brown

Associate Justice
Annabelle Clinton Imber

Associate Justice
David Newbern

Associate Justice
Dan Corbin

Associate Justice
Tom Glaze

Associate Justice
Ray Thornton

State of Arkansas
DEPARTMENT OF FINANCE AND ADMINISTRATION
P.O. Box 3278
Little Rock, Arkansas 72203-3278

OFFICE OF
THE DIRECTOR

PHONE (501) 682-2242
FAX (501) 682-1086
TDD (501) 682-5050

November 17, 1997

The Honorable Mike Huckabee, Governor
The Honorable Members of the Arkansas Legislature
The Citizens of Arkansas

It is my pleasure to transmit to you the Comprehensive Annual Financial Report of the State of Arkansas (the "State") for the fiscal year ended June 30, 1997. The report has been prepared by the Department of Finance and Administration. Responsibility for both the accuracy of data and the completeness and fairness of the presentation, including all disclosures, rests with the Department of Finance and Administration. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the various funds and account groups of the State. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

The report is presented in three sections. The introductory section includes this transmittal letter with narrative commentary on matters of interest to the reader and the State's organizational chart; the financial section includes the Independent Auditors' Report, general purpose financial statements, notes to the financial statements, required supplementary information, combining financial statements by fund type, schedules for account groups and other schedules; the statistical section includes selected financial, economic and demographic data for the State on a multi-year basis.

All agencies, accounts, departments, boards and commissions that represent the State's reporting entity are included in this report. The criteria used in determining the State's reporting entity are fully discussed in Note 1. The State provides a full range of services including: education, health and human resources, transportation, public safety, conservation of natural resources and economic development.

ECONOMIC CONDITION AND OUTLOOK

The longest and most prosperous economic expansion in Arkansas history since 1987 can be primarily attributed to low costs and labor efficiency which continue to attract manufacturers to the State. Average hourly wages earned in manufacturing in Arkansas is 81.3% of the national average. Wages are not the only determinant of the favorable rate of investment in the State; energy cost, infrastructure, location, other labor compensation costs, housing costs, educational investment, and state fiscal policy also contribute to the favorable investment climate of Arkansas.

In fiscal 1997, state personal income reached an estimated $47,836 million, an increase of $1,724 million or approximately 4%. Non-agricultural payroll employment expanded by 16,100 jobs, an increase of 1.5% since 1996.

In the 10 years since 1987, total non-farm employment has grown by 265 thousand jobs, a 31.6% increase. In addition, real output has gone from $37.9 billion to $53.2 billion, an increase of 40.2% or an average annual growth of 4%. Most importantly, real disposable income has climbed from $24.2 billion to $39.5 billion, an increase of $15.3 billion or 62.8%.

Contributing to this growth performance has been Arkansas' business investment financial incentive designed to provide companies with an opportunity to lessen the cost of doing business in our state. Whether a company is manufacturing, biotechnology, office operations, distribution or headquarters expansion, Arkansas has incentive programs to facilitate a location or expansion.

In addition, the State has extensive services designed to increase productivity and the quality of life through the Total Quality Program (the "Program") sponsored by the Arkansas Economic Development Commission ("AEDC"). The Program provides financial assistance to Arkansas' manufacturing industries for upgrading the skills of the existing workforce.

MAJOR INITIATIVES

Welfare Reform

Measures were passed during the 81st General Assembly that will move residents off the welfare rolls and into the job market. The new Transitional Employment Assistance ("TEA") program will offer child care for welfare recipients moving into the workplace, transportation services and training that will help ease the transition into the workforce. The program will encourage savings by tripling the allowable limit, and it will permit the ownership of one vehicle without affecting eligibility.

Income Tax Relief

For the first time in Arkansas' history, a major, broad-based tax cut was enacted. Provisions of the new law include:

- No family below the poverty line will pay income tax;
- Each taxpayer's standard deduction will be increased;
- The "marriage penalty", which limited married couples to only one standard deduction, was eliminated;
- State income tax will be indexed for inflation, therefore, families will no longer be pushed into higher tax brackets;
- The child care tax credit will be doubled;
- The "circuit breaker" property tax refund threshold will be increased, as will the size of the refund;
- Income tax from capital gains on the sale of homes will be eliminated; and
- All employed and self-employed taxpayers will receive a tax credit based on Social Security taxes they pay the federal government.

Health Care for Uninsured Children

The governor initiated legislation during the 81st General Assembly to provide health insurance coverage for all uninsured children in Arkansas beginning July 1, 1997. The ARKids First program is one of the first of its kind in the nation and will integrate uninsured children into the health care system. For less than 4% of the State's Medicaid budget, almost 60,000 uninsured children will be covered while saving millions of dollars.

Workforce Education

A new Board and Department for Workforce Education were established to encourage State government to address the issues of vocational education. The board will work to insure a solid system of adult education services, rehabilitation services and technical education services in the State. The new department replaces the existing Division of Vocational and Technical Education and will play an important role in the training aspects of the TEA program as well. A well-trained workforce is crucial if the State is to compete in the global marketplace.

Simplified Auto Registration

Legislation aimed at simplifying auto registration was passed by the 81st General Assembly and signed by the governor. Once a statewide computer network is in place, drivers will be able to renew car tags by phone, mail or modem and will only be required to provide a renewal notice. Computer networks will have safeguards to ensure that the proper insurance, assessment and tax payments are in place. Paying $1 less for registration will result in a savings of $3.5 million to Arkansans and eliminate the paperwork load on 14 state troopers, allowing them to be in the field enforcing the traffic laws and preserving peace and order for the citizens of Arkansas.

FINANCIAL MANAGEMENT

The financial statements of the State are prepared in accordance with generally accepted accounting principles ("GAAP") which requires that specific fund types be used on the combined balance sheet.

There are four categories of funds. The first category is the governmental fund. The general fund is used to account for all general government activities not accounted for in another fund, and is the only governmental fund currently in use.

The proprietary fund is used to account for activities similar to the private sector, where the determination of net income is necessary or useful for sound financial administration. A component of the proprietary fund is the enterprise fund which provides goods and services to outside parties.

The fiduciary fund is used to account for assets held on behalf of outside parties or other funds within the government. When assets are held under the terms of a formal trust agreement, a pension trust fund or expendable trust fund is used. The term "expendable" refers to the ability of the governing agent to spend the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

The higher education fund presents the State supported colleges and universities in accordance with the American Institute of Certified Public Accountants Industry Audit Guide, "Audits of Colleges and Universities," and guidance as outlined by National Association of College and University Business Officers and Governmental Accounting Standards Board.

Under GAAP, fund balance represents the excess of assets over liabilities. Therefore, it is possible for fund balance to remain unchanged while cash balances decrease or increase. In addition, certain amounts of fund balances may be reserved or "not spendable".

Internal Controls

The management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse and that adequate accounting data is compiled to allow the preparation of the financial statements in conformity with GAAP. The internal control structure has been designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or dispositions and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

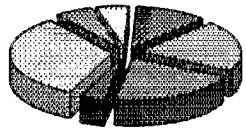
Budgetary control is maintained through legislative appropriation. Agencies submit budgetary requests to the Department of Finance and Administration. The Department of Finance and Administration compiles the executive budget on behalf of the Governor who submits it to the Legislature. The Department of Finance and Administration maintains control over the spending patterns of the State after the approval of the budget through control at the line item level. See Note 2 (Budgetary Basis Reporting) for further discussion of budgetary controls.

General Government Functions

Most State functions are financed through the general fund. The State's most significant sources of revenues in the general fund (GAAP basis) are taxes and intergovernmental. The State's most significant areas of expenditure from the general fund (GAAP basis) are the areas of public and higher education and health and human resources. The following charts present actual general fund (GAAP basis) revenues and expenditures for the fiscal year ended June 30, 1997 (expressed in thousands):

Revenues	1997	1996	Increase (Decrease) Percent
Personal income tax	$1,378,162	$1,328,615	3.73 %
Consumer sales tax	1,435,841	1,364,977	5.19 %
Corporate net income tax	236,538	259,056	(8.69)%
Gas and motor carrier tax	355,586	353,598	0.56 %
Other taxes	312,704	407,647	(23.29)%
Intergovernmental	2,335,367	2,213,786	5.49 %
Other revenues	836,738	783,151	6.84 %
Total	$6,890,936	$6,710,830	2.68 %

REVENUE BY SOURCE FOR GENERAL FUND - 199



Personal income tax
Consumer sales tax
Corporate net income tax
Intergovernmental
Other taxes
Gas and motor carrier tax
Other revenues

Expenditures	1997	1996	Increase (Decrease) Percent
Education	$ 1,812,291	$ 1,690,844	7.18 %
Health and human resources	2,437,633	2,297,385	6.10 %
Transportation	677,638	579,417	16.95 %
Law, justice and public safety	282,258	241,228	17.01 %
Recreation and resource development	163,937	178,519	(8.17)%
General government	751,164	783,378	(4.11)%
Regulation of businesses and professionals	147,064	130,339	12.83 %
Debt service	77,360	27,413	182.20 %
Capital outlay	184,003	94,874	93.94 %
Total	$ 6,533,348	$ 6,023,397	8.47 %

EXPENDITURES FROM GENERAL FUND - 1997

Education
Capital outlay
Transportation
Regulation of businesses and professionals
Health and human resources
Law, justice and public safety
General government
Recreation and resource development
Debt service

Governmental revenues increased modestly by 2.68%, reflecting additional intergovernmental revenue and consumer sales tax revenue of $121.6 million and $70.9 million, respectively. Intergovernmental revenues increased as a result of additional funding obtained from the Federal government for Medicaid programs and highway construction in Northwest Arkansas. Consumer sales tax increased due to the strong economic growth of the State including an increase in personal income of approximately 4% over the prior year.

Expenditures grew in fiscal year 1997 by 8.47% as the demand for governmental services increased. The principal reason for this increase is due to an increase in health and human resource expenditures specifically related to the reimbursement of Medicaid geriatric care, prescription drugs and hospital and medical care claims. Educational expenditures increased due to the expansion of certain elementary and secondary educational programs including student growth, vocational start up, and residential centers. Debt service expenditures have increased $50 million or 182.2% over the previous fiscal year due primarily to a $25 million final payment on the Arkansas State Highway and Transportation Department loan from the United States Department of Transportation, Federal Highway Administration and $23 million in capital lease payments.

Proprietary and Fiduciary Funds

The State's enterprise operations include Workers' Compensation Commission. Since it is the intent of this agency to primarily recover operating costs (including depreciation) through user charges, it utilizes an accrual basis of accounting with a measurement focus on the flow of economic resources.

Fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds. These include the expendable trust, pension trust and agency funds. Trust funds are established through trust agreements specifying how the fund will operate. Agency funds are custodial in nature and do not report fund balances. The trust funds include the Employment Security Division, Arkansas Judicial Retirement Plan, Arkansas Teacher Retirement Plan, Arkansas State Police Retirement Plan, Arkansas Highway Employees Retirement Plan and Arkansas State Employees Retirement Plan. Agency funds include the State Insurance Department, Deferred Compensation and Other Agencies.

Component Units

The component units include the accounts of Arkansas Student Loan Authority and Arkansas Development Finance Authority. These authorities are legally separate entities that are not operating departments of the State, and are managed independently with their powers generally vested in a governing board. Each authority is established for a specific purpose, such as education and economic development purposes.

Combined operating revenues and expenses for the State's authorities amounted to $130 million and $127 million, respectively, for fiscal year 1997. The total combined amount of fund equity at fiscal year end was $233 million.

Debt Administration

The Constitution of the State of Arkansas does not limit the amount of general obligation bonds which may be issued by the State; however, no such bonds may be issued unless approved by the voters of the State at a general election or special election held for that purpose. The total outstanding general obligation bonded indebtedness, including special obligation and other debt instruments, of the governmental fund types from the State as of June 30, 1997, was approximately $318 million. Arkansas currently has a rating of Aa3 from Moody's Investors Service and a rating of AA from Standard and Poors.

Cash Management

State funds are invested by the Treasurer, as well as various state agencies, including the Retirement Systems and institutions of Higher Education. Permissible investments include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government Obligations); repurchase agreements; corporate debt and equity obligations; and state and local government securities.

Risk Management

The State manages risk with a combination of self-insurance and commercial policies. The State established the Risk Management Office in accordance with State law for the purpose of analyzing and making recommendations as to cost effective loss control and safety programs for the various State agencies.

The State also established the State Employees Insurance Advisory Committee (the "Committee") by Act 48 of 1972 and allowed the Committee to pursue self-funding activities by Act 576 of 1975. The Committee provides comprehensive major medical care, prescription drug and life insurance for employees of the State and its participating component units, as well as their dependents, through the establishment of a variety of self-insured plans. The Committee also makes medical coverage available to retirees should they elect to continue such coverage at their own expense.

Audit

The firm of Deloitte and Touche LLP performed the audit for the fiscal year ended June 30, 1997. Generally accepted auditing standards were used by the auditors in conducting the engagement. The auditors' report on the general purpose financial statements is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arkansas for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and Local Government Financial Reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to the GFOA.

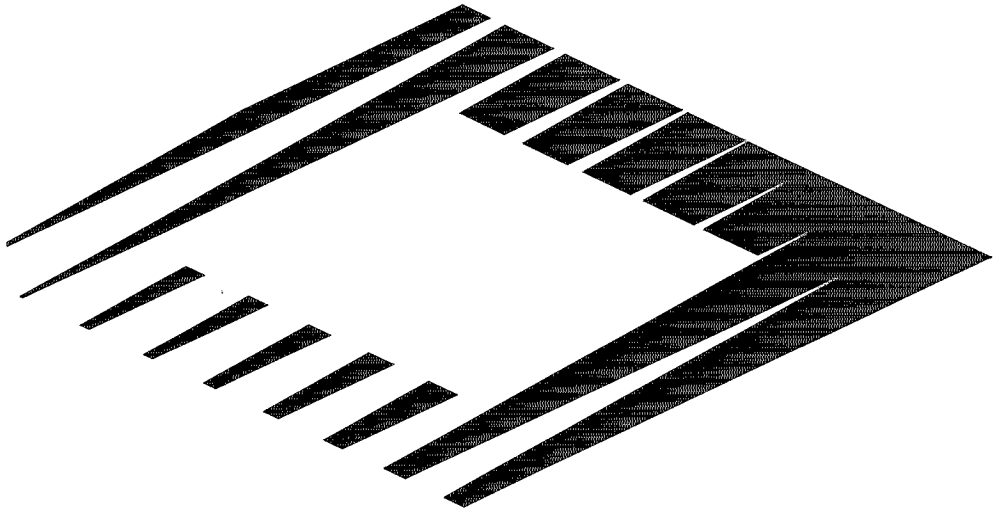
Acknowledgments

Recognition for the leadership of accurate and timely financial reporting lies with Governor Mike Huckabee. He has made fiscal responsibility a high priority in his administration and his leadership has been crucial to the project's success. Governor Huckabee believes that this project will provide overall improvements in government accountability. It will save the State interest expense by providing market analysts, potential investors and others with complete, comparable financial information. It will provide the Legislature and others in key positions that require them to make financial decisions with clear, concise and complete financial data that is free of ambiguities or any misleading facts. The Governor's commitment to this project, especially his support of continued funding, demonstrates his firm belief in our continuing progress.

This report also would not be possible without the support of all state agencies that provided GAAP closing data on a timely basis. The future success of this project directly depends upon their continued cooperation and support as well.

Sincerely,

Richard Weiss
Director
Department of Finance and Administration



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arkansas

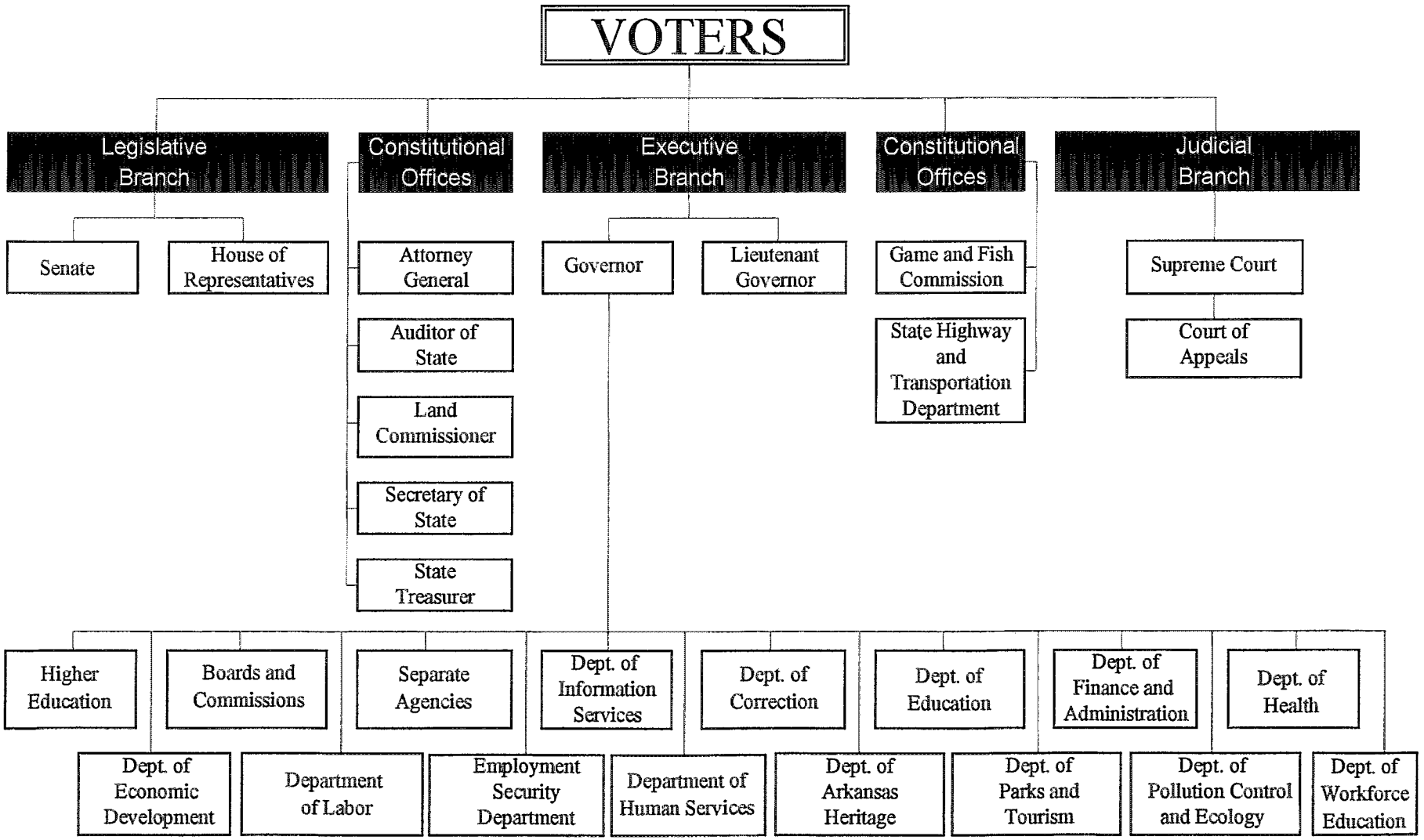
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1996

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Linda K. Savitsky
President

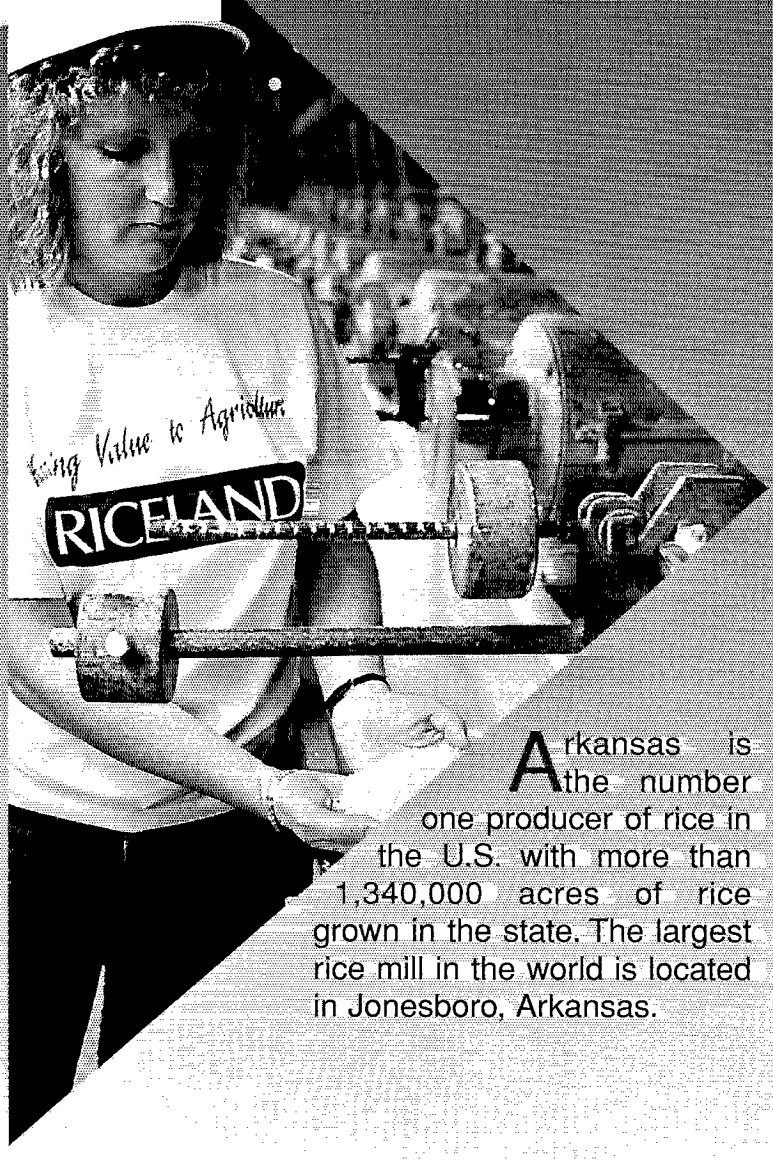
Jeffrey L. Esser
Executive Director

State of Arkansas
Organizational Chart

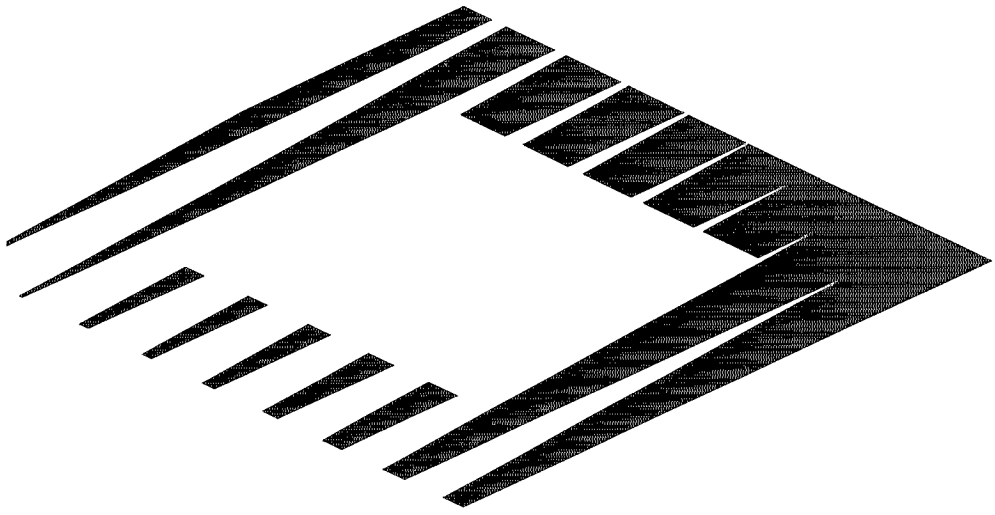


Financial Section

ARKANSAS



Arkansas is the number one producer of rice in the U.S. with more than 1,340,000 acres of rice grown in the state. The largest rice mill in the world is located in Jonesboro, Arkansas.



Deloitte & Touche LLP

Suite 1800
111 Center Street
Little Rock, Arkansas 72201

Telephone: (501) 370-3600
Facsimile: (501) 374-4809
Facsimile: (501) 375-7817

INDEPENDENT AUDITORS' REPORT

The Honorable Mike Huckabee, Governor
of the State of Arkansas

We have audited the accompanying general purpose financial statements of the State of Arkansas (the "State"), as of June 30, 1997, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the State. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Arkansas Student Loan Authority, which represents approximately 11% of both total assets and total operating revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those activities, is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, such general purpose financial statements present fairly, in all material respects, the financial position of the State as of June 30, 1997, and the results of its operations and the cash flows of its proprietary fund type and discretely presented component units for the year then ended in conformity with generally accepted accounting principles.

As more fully discussed in Note 6, subsequent to the issuance of the State's 1996 general purpose financial statements, management of the State determined that certain capital leases should be included in the general long-term debt account group and general fixed asset account group at June 30, 1996, and accordingly, has restated the June 30, 1996, balance for amount to be provided for debt retirement and capital leases payable in the general long term debt account group and fixed assets, net and investments in fixed assets in the general fixed asset account group.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements, schedules and required supplementary information, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the State. These financial statements, schedules and supplementary information are the responsibility of the management of the State. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, based on our audit and the reports of other auditors, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The introductory and statistical data listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State. Such additional information has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

November 17, 1997

General Purpose Financial Statements

Arkansas has over 1,000 miles of navigable waterways that link the state with ports worldwide. All ports in Arkansas have river barge service to the deep water ports in New Orleans, as well as Houston and Mobile, which are located along the Gulf Intracoastal Waterway.

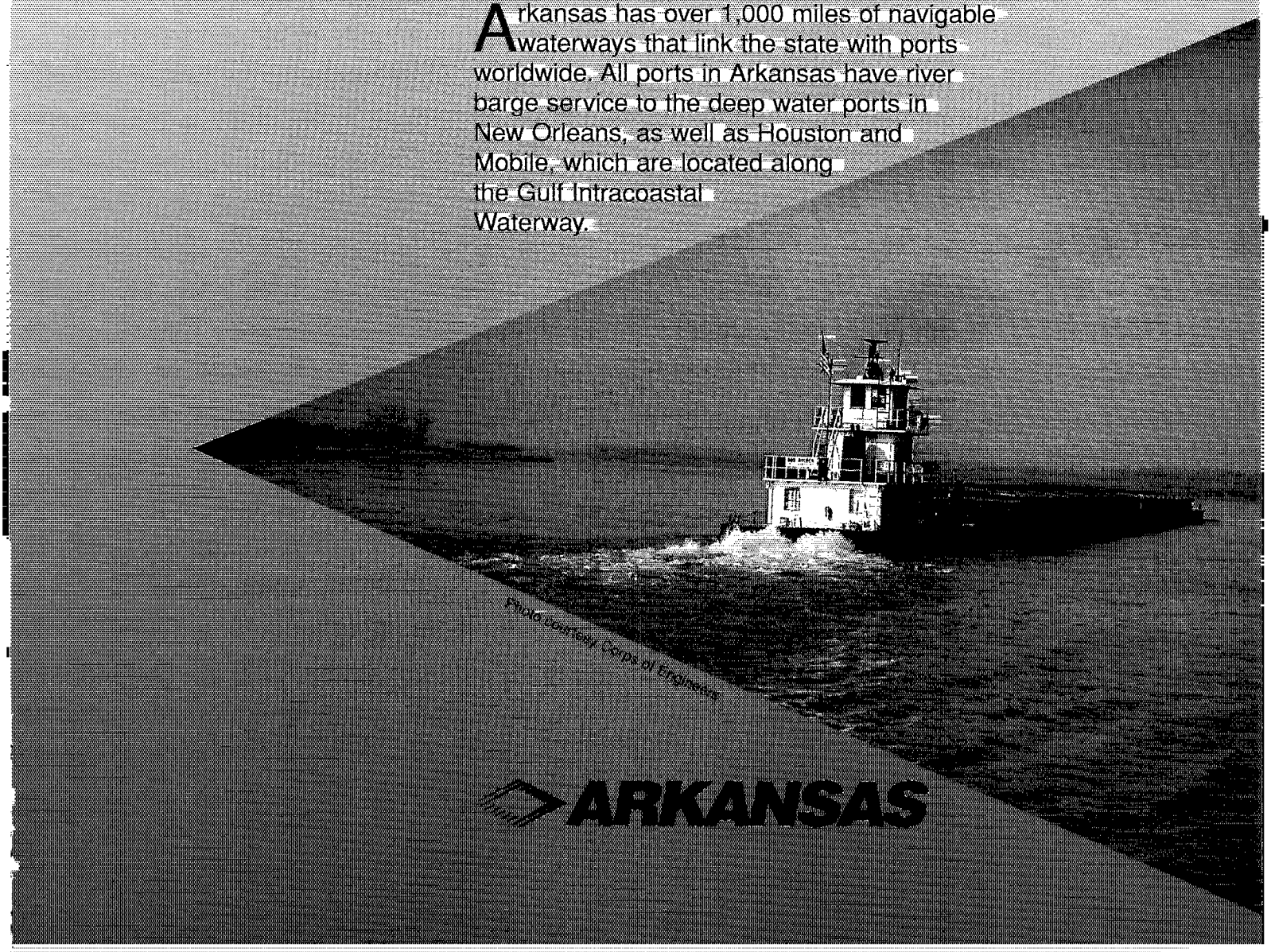


Photo courtesy Corps of Engineers

ARKANSAS

Combined Balance Sheet
All Fund Types, Account Groups and Component Units
June 30, 1997
(Expressed in Thousands)

	Governmental Fund Type	Proprietary Fund Type	Fiduciary Fund Type
	General	Enterprise	Trust and Agency
ASSETS AND OTHER DEBITS:			
Cash and cash equivalents	$1,170,086	$127,986	$ 1,950,772
Investments	13,134		10,427,417
Receivables, net:			
Accounts	51,016	9,508	47,819
Taxes	235,241		
Employer			9,665
Employee			4,609
Notes and deposits	44,074		
Medicaid	113,942		
Loans	92,523		
Investment related	8,751	1,600	92,047
Due from other governments	45,771		3,464
Due from other funds - primary government	507		18,893
Due from other funds - higher education			
Due from component units	2,165		
Advances to other funds - primary government	17,082		24,825
Advances to component units			1,096
Inventories	65,835		
Fixed assets, net		531	851
Other assets	13	15,512	7,513
Amount available for debt service			
Amount to be provided for debt retirement			
TOTAL ASSETS AND OTHER DEBITS	$1,860,140	$155,137	$12,588,971
LIABILITIES, FUND EQUITY AND OTHER CREDITS:			
Liabilities:			
Accounts payable	$ 33,057	$ 417	$ 219
Accrued and other liabilities	76,649	13,145	2,027,129
Deferred revenues	36,417		
Due to other governments	69,415		22
Due to other funds - primary government	22,535		
Due to other funds - higher education			
Due to primary government			
Advances from other funds - primary government	24,825		
Advances from primary government			
Workers' compensation benefits payable		152,179	
Medicaid claims payable	155,467		
Tax refunds and abatements payable	44,178		
Agency liabilities			576,382
General obligation bonds payable			
Special obligation bonds payable			
Notes payable			
Other debt instruments			
Revenue bonds payable			
Capital leases		2,490	
Claims and judgments payable	3,734		
Compensated absences		387	
Unfunded pension costs			
Total Liabilities	466,277	168,618	2,603,752
Fund equity (deficit) and other credits:			
Investment in fixed assets			
Retained earnings (deficit) - unreserved		(13,481)	
Fund balances:			
Reserved:			
Loans	92,523		
Advances to other funds	17,082		
Inventory	65,835		
Capital projects	123,008		
Higher education			
Unemployment compensation			219,248
Net assets held in trust for pension benefits			9,765,971
Unreserved:			
Designated	1,095,415		
Undesignated			
Total Fund Equity (Deficit) and Other Credits	1,393,863	(13,481)	9,985,219
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	$1,860,140	$155,137	$12,588,971

The accompanying notes are an integral part of the financial statements.

Higher Education Fund Type	Account Groups		Total Primary Government	
Colleges and Universities	Fixed Assets	Long-Term Debt	(Memorandum Only)	Component Units
$ 265,465			$ 3,514,309	$ 114,456
244,051			10,684,602	843,491
119,353			227,696	13,927
			235,241	
			9,665	
			4,609	
37,115			81,189	
			113,942	
			92,523	864,609
1,566			103,964	13,778
			49,235	
3,642			23,042	
11,550			11,550	
			2,165	
			41,907	
			,1,096	
15,782			81,617	
1,754,913	$905,568		2,661,863	452
11,955			34,993	111,072
		$ 19,798	19,798	
		600,341	600,341	
$2,465,392	$905,568	$620,139	$18,595,347	$1,961,785
$ 52,944			$ 86,637	$ 45,798
57,320			2,174,243	60,023
10,497			46,914	
			69,437	
507			23,042	
11,550			11,550	
				2,165
17,082			41,907	
				1,096
			152,179	
			155,467	
			44,178	
			576,382	
		$299,101	299,101	
		10,720	10,720	1,415,270
22,744			22,744	8,550
		8,623	8,623	
271,419			271,419	195,559
7,607		127,342	137,439	
		98,476	102,210	
		69,831	70,218	
		6,046	6,046	
451,670		620,139	4,310,456	1,728,461
1,462,729	$905,568		2,368,297	
			(13,481)	233,324
			92,523	
			17,082	
			65,835	
			123,008	
330,246			330,246	
			219,248	
			9,765,971	
			1,095,415	
220,747			220,747	
2,013,722	905,568		14,284,891	233,324
$2,465,392	$905,568	$620,139	$18,595,347	$1,961,785

Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Governmental Fund Type	Fiduciary Fund Type
	General	Expendable Trust
REVENUES:		
Taxes:		
Personal income	$1,378,162	
Consumer sales	1,435,841	
Corporate net income	236,538	
Gas and motor carrier	355,586	
Unemployment		$189,195
Other	312,704	
Intergovernmental	2,335,367	
Licenses, permits and fees	381,498	
Investment earnings	68,888	13,734
Other	386,352	
Total Revenues	6,890,936	202,929
EXPENDITURES:		
Current:		
Education	1,812,291	
Health and human resources	2,437,633	
Transportation	677,638	
Law, justice and public safety	282,258	
Recreation and resource development	163,937	
General government	751,164	
Regulation of businesses and professionals	147,064	196,359
Debt service	77,360	
Capital outlay	184,003	
Total Expenditures	6,533,348	196,359
Excess of revenues over expenditures	357,588	6,570
OTHER FINANCING SOURCES (USES):		
Proceeds from long-term obligations	74,999	
Payment to refunded bond escrow agent	(13,295)	
Proceeds from capital lease	59,605	
Operating transfers in	3,142	
Operating transfers out	(546,967)	
Total Other Financing Uses	(422,516)	
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(64,928)	6,570
FUND BALANCE AT BEGINNING OF YEAR	1,461,797	212,678
Decrease in reserve for inventory	(3,006)	
FUND BALANCE AT END OF YEAR	$1,393,863	$219,248

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual-Variance (Budgetary Basis) General Fund

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes:			
Personal income	$ 1,414,403	$1,414,403	
Consumer sales	1,434,169	1,434,169	
Corporate net income	261,628	261,628	
Gas and motor carrier	366,772	366,772	
Use	479,075	479,075	
Other	399,518	399,518	
Intergovernmental	2,056,756	2,056,756	
Licenses, permits and fees	371,993	371,993	
Investment earnings	69,449	69,449	
Other	332,177	332,177	
Total Revenues	7,185,940	7,185,940	
EXPENDITURES:			
Current:			
Education	1,885,207	1,823,168	$ 62,039
Health and human resources	2,217,646	2,148,873	68,773
Transportation	730,592	657,682	72,910
Law, justice and public safety	323,720	293,909	29,811
Recreation and resource development	250,455	169,712	80,743
General government	3,450,254	1,332,168	2,118,086
Regulation of businesses and professionals	158,110	99,807	58,303
Debt service	43,167	24,668	18,499
Capital outlay	225,766	100,197	125,569
Total Expenditures	9,284,917	6,650,184	2,634,733
Excess of revenues over (under) expenditures	(2,098,977)	535,756	2,634,733
OTHER FINANCING SOURCES (USES):			
Operating transfers in	7,759,463	7,759,463	
Operating transfers out	(8,335,373)	(8,335,373)	
Total Other Financing Uses	(575,910)	(575,910)	
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,674,887)	(40,154)	2,634,733
FUND BALANCE AT BEGINNING OF YEAR	1,461,797	1,461,797	
FUND BALANCE AT END OF YEAR	$(1,213,090)	$1,421,643	$2,634,733

The accompanying notes are an integral part of the financial statements.

Combined Statement of Revenues, Expenses and Changes in Fund Equity Proprietary Fund Type and Discretely Presented Component Units

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Proprietary Fund Type	Component Units
	Enterprise	Proprietary Fund
OPERATING REVENUES:		
Licenses, permits and fees	$ 10,156	
Investment earnings		$129,055
Insurance tax	8,266	
Other	207	1,418
Total Operating Revenues	18,629	130,473
OPERATING EXPENSES:		
General and administrative	56,262	16,248
Interest		109,830
Depreciation	185	
Other	34	1,071
Total Operating Expenses	56,481	127,149
Operating Income (Loss)	(37,852)	3,324
NON-OPERATING REVENUES (EXPENSES):		
Grants, entitlements and shared revenues		38,976
Investment earnings	5,945	
Interest	(144)	
Total Non-Operating Revenue	5,801	38,976
Income (Loss) before operating transfers	(32,051)	42,300
OPERATING TRANSFERS -		
Operating transfers out - primary government	(409)	
NET INCOME (LOSS)	(32,460)	42,300
FUND EQUITY AT BEGINNING OF YEAR	18,979	191,024
FUND EQUITY (DEFICIT) AT END OF YEAR	$ (13,481)	$233,324

The accompanying notes are an integral part of the financial statements.

Combined Statement of Cash Flows
Proprietary Fund Type and Discretely Presented Component Units

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Proprietary Fund Type	Component Units
	Enterprise	Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	$(37,852)	$ 3,324
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:		
Depreciation, accretion and amortization	268	(9,425)
Provision for arbitrage rebate		191
Capital accretion		4,546
Loss on sale of assets		81
Changes in operating assets and liabilities:		
Accounts receivable	767	(2,985)
Loans receivable		(18,894)
Investment related	(61)	(2,845)
Other assets	(11)	(1,112)
Accounts payable and accrued expenses	649	14,564
Workers' compensation benefits payable	39,701	
Other liabilities		(1,223)
Net Cash Provided (Used) by Operating Activities	3,461	(13,778)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers out to other funds	(409)	
Proceeds from issuance of bonds		256,531
Repayment of bonds		(223,201)
Proceeds from notes payable		8,550
Payment of debt issuance costs		(3,152)
Collection of financing fees		4,500
Interest expense	(144)	
Proceeds from grants, entitlements, and shared revenues		38,976
Net Cash Provided (Used) by Non-capital Financing Activities	(553)	82,204
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital lease obligation	(100)	
Capital expenditures		(20)
Acquisition of capital assets	(144)	
Net Cash Used for Capital and Related Financing Activities	(244)	(20)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments		(627,739)
Proceeds from sales and maturities of investments		608,353
Investment in direct financing leases		(59,605)
Investment earnings	5,945	
Lease payments received		21,219
Net Cash Provided (Used) by Investing Activities	5,945	(57,772)
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,609	10,634
CASH AND CASH EQUIVALENTS:		
Beginning of year	119,377	103,822
End of year	$127,986	$114,456
SUPPLEMENTAL INFORMATION -		
Interest paid	$ 144	$100,195

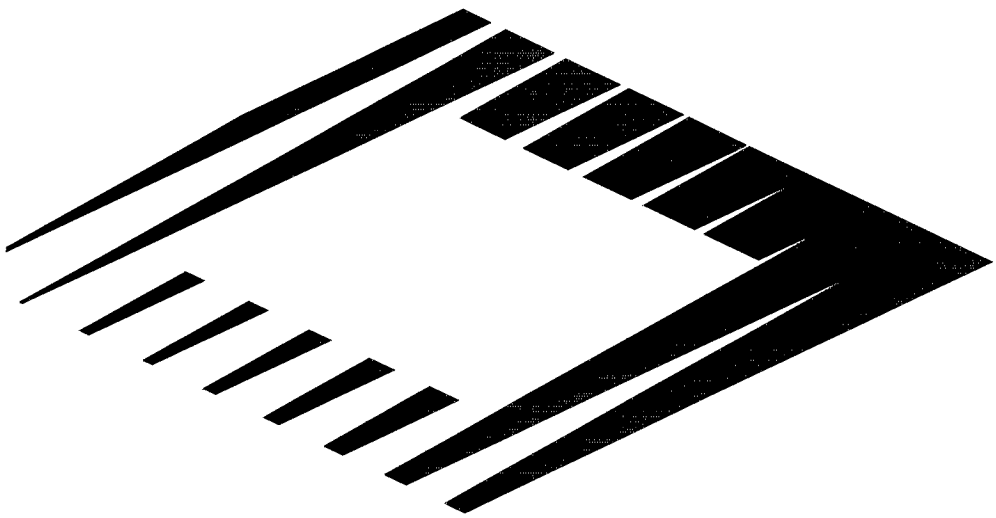
The accompanying notes are an integral part of the financial statements.

Combined Statement of Changes in Plan Net Assets Held in Trust for Pension Benefits
Pension Trust Funds

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Fiduciary Fund Type
	Pension Trust
ADDITIONS:	
Contributions:	
Employer	$ 261,940
Employee	48,368
Total Contributions	310,308
Investment income:	
Net appreciation in fair value of investments	1,203,530
Interest	243,141
Dividends	80,432
Real estate operating income	1,630
Other	81,187
Less investment expense	(102,018)
Net Investment income	1,507,902
Other additions -	
Miscellaneous revenues	8,436
TOTAL ADDITIONS	1,826,646
DEDUCTIONS:	
Annuity benefits	307,159
Refunds of employee contributions	5,874
Administrative expenses	7,561
Other deductions	3,134
TOTAL DEDUCTIONS	323,728
NET INCREASE	1,502,918
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT BEGINNING OF YEAR	8,263,053
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT END OF YEAR	$9,765,971

The accompanying notes are an integral part of the financial statements.



Combined Statement of Changes in Fund Balances
Higher Education Fund Type

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Current Funds			
	Unrestricted	Restricted	Loan	Endowment and Similar
REVENUES AND OTHER ADDITIONS:				
Unrestricted current fund revenues	$ 306,652			
Auxiliary enterprises, hospitals and clinics	486,953			
Endowment income		$ 356		$ 267
Gifts and grants		224,228	$ 5,200	214
Gain on disposition of investments			152	22,069
Investment earnings		934	1,054	1,331
Additions to plant facilities				
Retirement of indebtedness				
Bond proceeds				
Other additions		3,146	1,517	407
Total Revenues and Other Additions	793,605	228,664	7,923	24,288
EXPENDITURES AND OTHER DEDUCTIONS:				
Education and general	769,109	225,895		
Auxiliary enterprises, hospitals and clinics	424,284	517		
Loan cancellations and write-offs			1,140	
Indirect cost recoveries		4,195		
Administration expenses			234	60
Refunded to grantors		18	66	1,292
Retirement of indebtedness				
Expended for plant facilities				
Interest expense				
Issuance of bonds				
Disposal of plant facilities				
Other			4,996	867
Total Expenditures and Other Deductions	1,193,393	230,625	6,436	2,219
TRANSFERS AND OTHER - ADDITIONS/(DEDUCTIONS):				
Mandatory:				
Principal and interest	(23,228)	(188)		
Matching contribution	(441)	134	181	
Renewals and replacements	(684)			
Other mandatory transfers	(1,331)	(414)	50	(288)
Non-Mandatory:				
Unexpended plant funds	(3,808)	(55)		
Renewals and replacements	(300)			
Other	(1,984)		(7)	742
Operating transfers in - primary government	465,122	3,242		
Operating transfers out - primary government				
Total Transfers and Other Additions	433,346	2,719	224	454
NET INCREASE FOR THE YEAR	33,558	758	1,711	22,523
FUND BALANCE AT BEGINNING OF THE YEAR	141,048	37,153	44,485	58,061
FUND BALANCE AT END OF THE YEAR	$ 174,606	$ 37,911	$46,196	$80,584

The accompanying notes are an integral part of the financial statements.

Plant Funds	Total
	$ 306,652
	486,953
$ 1,028	1,651
6,435	236,077
	22,221
3,775	7,094
103,123	103,123
40,763	40,763
23,920	23,920
18,799	23,869
197,843	1,252,323
	995,004
	424,801
	1,140
	4,195
685	979
	1,376
36,333	36,333
75,402	75,402
14,087	14,087
25,813	25,813
19,000	19,000
12,614	18,477
183,934	1,616,607
23,416	
126	
684	
1,983	
3,863	
300	
1,249	
78,603	546,967
(2,733)	(2,733)
107,491	544,234
121,400	179,950
1,553,025	1,833,772
$1,674,425	$2,013,722

Combined Statement of Current Funds Revenues, Expenditures, Transfers and Other Changes in Fund Balances
Higher Education Fund Type

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Current Funds		
	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	$178,146	$ 13	$ 178,159
Federal appropriations	68	11,844	11,912
Endowment income	626	1,144	1,770
Federal grants and contracts	2,513	123,637	126,150
State and local grants and contracts	4,169	41,236	45,405
Private gifts, grants and contracts	5,611	38,633	44,244
Investment earnings	2,474	119	2,593
Sales and services of educational facilities	45,094	1,515	46,609
Sales and services of auxiliary enterprises and hospitals	486,953	299	487,252
Insurance	48,725		48,725
Other sources	19,226	5,469	24,695
Total Current Revenues	793,605	223,909	1,017,514
EXPENDITURES AND MANDATORY TRANSFERS:			
Educational and General:			
Instruction	327,905	33,483	361,388
Research	57,119	55,471	112,590
Public service	33,679	28,936	62,615
Academic support	61,152	10,294	71,446
Student services	32,297	6,288	38,585
Institutional support	103,545	2,016	105,561
Operation and maintenance of plant	67,504	592	68,096
Scholarships and awards	32,223	88,812	121,035
Other expenditures	53,685	3	53,688
Educational and General Expenditures	769,109	225,895	995,004
Mandatory Transfers for:			
Principal and interest	17,003	188	17,191
Matching requirements	353	(134)	219
Renewals and replacements	63		63
Other mandatory transfers	1,331	414	1,745
Total Educational	787,859	226,363	1,014,222
Auxiliary Enterprises and Hospitals:			
Expenditures	424,284	517	424,801
Mandatory transfers for:			
Principal and interest	6,225		6,225
Renewals and replacements	621		621
Matching requirements	88		88
Total Auxiliary Enterprises and Hospitals	431,218	517	431,735
Operating transfers in - primary government	465,122	3,242	468,364
Total Expenditures and Mandatory Transfers	753,955	223,638	977,593
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):			
Educational and General Non-Mandatory Transfers for:			
Unexpended Plant	(1,326)	(55)	(1,381)
Renewals and replacements	(300)		(300)
Other non-mandatory transfers	(1,984)		(1,984)
Auxiliary Non-Mandatory Transfers for:			
Unexpended plant	(2,482)		(2,482)
Renewal and replacements			
Excess of restricted receipts over transfers to revenues		542	542
NET INCREASE IN FUND BALANCES	$ 33,558	$ 758	$ 34,316

The accompanying notes are an integral part of the financial statements.

Notes to the General Purpose Financial Statements

For the Fiscal Year Ended June 30, 1997

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying general purpose financial statements of the State of Arkansas (the "State") conform with generally accepted accounting principles ("GAAP") for governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for governmental accounting and financial reporting. In addition, GAAP requires that the State's proprietary activities apply GAAP as it is applied by similar business activities in the private sector. The financial statements of the State's colleges and universities have been prepared in accordance with the accounting guidance as outlined in the American Institute of Certified Public Accountants Industry Audit Guide, Audits of Colleges and Universities; the College and University Business Administration, published by the National Association of College and University Business Officers ("NACUBO"); and pronouncements issued by the GASB.

The general purpose financial statements have been prepared primarily from accounts maintained by the Department of Finance and Administration and the State Treasurer. Additional data has been derived from the audited financial statements of certain entities and from reports and data prescribed by the Department of Finance and Administration, Office of Accounting. These prescribed reports and data were prepared by various State agencies and departments based on independent or subsidiary accounting records maintained by them.

The Reporting Entity - For financial reporting purposes, the State of Arkansas' primary government includes all funds, account groups, departments and agencies, boards, commissions, and authorities that make up the State's legal entity. The State's reporting entity also is comprised of its component units, legally separate organizations for which the State's elected officials are financially accountable.

Individual Component Unit Disclosures - GAAP defines component units as those entities which are legally separate organizations for which the State's elected officials are financially accountable, or other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading and incomplete. GAAP details two methods of presentation: blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the State's balances and transactions; or discrete presentation of the component units' financial data columns separate from the State's balances and transactions.

Blended Component Units - The State has no blended component units.

Discretely Presented Component Units - Discrete component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units column of the combined financial statements include the financial data of the following entities:

> ***Arkansas Student Loan Authority*** - Arkansas Student Loan Authority ("ASLA") was established pursuant to Act 873 of 1977, as amended. The purpose of ASLA is to make loans directly to students and purchase qualified student loans from Arkansas lending institutions or loans made by non-Arkansas institutions to Arkansas residents. The students attend qualified Arkansas education institutions or are Arkansas residents who attend qualified institutions located outside the State of Arkansas.

Arkansas Development Finance Authority - Arkansas Development Finance Authority ("ADFA") provides financing through the issuance of taxable and tax-exempt bonds for housing, industry, local governments, education, agricultural enterprises, health care, infrastructure projects, jails and prisons. ADFA also offers direct loans for housing, small minority businesses, agriculture and exporting.

Component Unit Financial Statements - Complete financial statements of each of the discretely presented component units can be obtained by contacting their respective administrative office.

Arkansas Student Loan Authority	Arkansas Development Finance Authority
101 East Capitol, Suite 401	100 Main Street, Suite 200; P.O. Box 8023
Little Rock, AR 72201	Little Rock, AR 72203

Fund Structure - The financial activities of the State are accounted for in individual funds and account groups. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. These are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Individual funds of the primary government are classified in four fund categories: governmental, proprietary, fiduciary and higher education.

Account groups are accounting entities used to account for the State's general fixed assets and long-term debt. These account groups are not funds because they do not reflect available financial resources and related liabilities.

The following describes the fund categories and account groups used in the accompanying general purpose financial statements:

Governmental Funds

General Fund - The general fund is the general operating fund of the State. It is used to account for all financial resources obtained and spent for those services normally provided by the State which are not accounted for in other funds.

Proprietary Fund

Enterprise Fund - This fund is used to account for operations of those state agencies providing goods or services to the general public on a user-charge basis or where the State has decided that periodic determination of revenues earned, expenses incurred and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise fund consists of the Workers' Compensation Commission which is responsible for providing a prompt and equitable system of compensation for injury or illness sustained during the course of employment.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations or other funds. These funds include expendable trust, pension trust and agency funds. Pension trust funds are accounted for on the accrual basis. Expendable trust funds are accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Higher Education Fund

The financial statements of Higher Education have been prepared with the accounting guidance and reporting practices applicable to colleges and universities, as outlined in the American Institute of Certified Public Accountants Industry Audit Guide, Audits of Colleges and Universities; the College and University Business Administration, published by the NACUBO; and pronouncements issued by the GASB.

Current Funds - These funds are used to account for resources that will be expended in the near term for operating purposes of the institutions. These include (1) unrestricted funds over which the governing boards retain full control in achieving the institutions' purposes, and (2) restricted funds which may be utilized only in accordance with externally restricted purposes.

Fiduciary Funds - These funds are used to account for assets held by loan, endowment, life income and agency funds in which the universities act in a fiduciary capacity.

Plant Funds - These funds are used to account for institutional property acquisition, renewal, replacement, debt service and investment.

Agency Funds - These funds are used to account for amounts held in custody for students, university-related organizations and others.

The Combined Statement of Current Funds, Revenues, Expenditures, Transfers and Other Changes in Fund Balances is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

Account Groups

General Fixed Assets - This account group is used to account for all fixed assets (excluding infrastructure) that are not accounted for in the proprietary funds or component units.

General Long-Term Debt - This account group includes the unmatured portion of the long-term general obligation debt which is to be financed from governmental funds. Also included in this group are long-term liabilities resulting from capital lease obligations, claims and judgments, compensated absences and unfunded pension costs.

Discretely Presented Component Units

The State's discretely presented component units conduct business-like activities that provide goods/services to the public, other governmental units and the State, and are financed primarily through user charges. The measurement focus of these entities is upon determination of net income, financial position and cash flows.

Basis of Accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus as described below. The revenue, expenditure and expense recognition policies have been applied in the determination of the related assets and liabilities at June 30, 1997.

Governmental and Expendable Trust funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. The State's revenue recognition policies conform to the provisions of GASB Statement No. 22, "Accounting for Tax-Payer Assessed Tax Revenues in Governmental Funds." Significant revenues susceptible to accrual include income, sales, corporation and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Revenues from federal grants are recognized when the related expenditures have been incurred. Revenues from other sources are recognized when received. Expenditures are recorded at the time fund liabilities are incurred except (1) inventories generally are recorded as expenditures when purchased, and (2) principal and interest on long-term debt are recorded when paid.

The accrual basis of accounting with a flow of economic resources measurement focus is utilized in the proprietary fund, pension trust funds, higher education fund and discretely presented component units. Under this accounting basis, revenues are recognized when earned and expenses are recognized when incurred. For the Pension Trust Funds, employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in the Arkansas Code.

The State and the discretely presented component units have adopted the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that Use Proprietary Fund Accounting." As permitted by the Statement, the State has elected not to adopt Financial Accounting Standards Board ("FASB") Statements issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations.

Consistent with current GAAP for public colleges and universities, depreciation on higher education physical or plant assets is not recorded, and revenue and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

Budgetary Basis of Accounting - The State's budget is adopted in accordance with a statutory cash basis of accounting which is not in accordance with GAAP. Revenues are recognized when cash is received and deposited in the State Treasury or reported to the Department of Finance and Administration. Expenditures are recorded when cash is disbursed. If goods or services are not received before year end, all encumbrances lapse, except those appropriations for multi-year projects.

Cash and Cash Equivalents - Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, all certificates of deposit and all short-term instruments with maturities at purchase of ninety days or less. Short-term investments are stated at amortized cost, except for pension trust funds which are reported at fair value.

Investments - Investments include U.S. Government and government agency obligations, repurchase agreements, state and local government obligations and corporate debt and equity obligations. Investments are reported at cost or amortized cost, as appropriate, except deferred compensation funds and pension trust funds which are reported at fair value.

Investments in the Pension Trust Funds are reported at fair values as determined by the custodial agents. The agents determination of fair value includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

Receivables - Receivables in the State's governmental fund consist primarily of taxes, interest and federal grants. The remaining governmental fund revenues are not considered susceptible to accrual prior to receipt. Receivables in all other funds have arisen in the ordinary course of business.

Interfund Transactions - The State has three types of interfund transactions:

- Operating appropriations. These are accounted for as operating transfers in the funds involved.
- Residual equity transfers. These are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from fund equity.
- Quasi-external transactions. Charges or collections for services rendered by one fund to another are recorded as revenues in the receiving fund and expenditures/expenses of the disbursing fund.

Inventories - Inventories of materials and supplies are valued at cost, principally using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when purchased. Inventory balances are recorded as a reserve of fund balance indicating that they do not constitute "available spendable resources"

Fixed Assets - Purchases of general fixed assets of the governmental funds are recorded as expenditures of those funds, with the related assets recorded in the General Fixed Asset Account Group. General fixed assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at fair market value or estimated fair market value at the time of the donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Public domain general fixed assets ("infrastructure"), consisting of roads, bridges, streets, sidewalks, drainage systems and lighting systems, are not capitalized as these assets are immovable and of value only to the government. Assets in the General Fixed Assets Account Group are not depreciated.

Fixed assets held in the enterprise fund and discretely presented component units have been valued in the same manner as the General Fixed Asset Account Group. The fixed assets of these funds are depreciated on a straight-line basis over their estimated useful lives. Buildings are depreciated over various lives, ranging from 20 to 50 years, machinery and equipment 3 to 35 years and vehicles 5 years.

Compensated Absences - The amount of compensated absences to be paid from future resources is reported in the General Long-Term Debt Account Group. Vested or accumulated vacation leave of the proprietary, higher education fund and component units is recorded as an expense and a liability of these funds as the benefits accrue to employees.

Fund Equity - Reserves represent those portions of fund equity that are not available for appropriation or legally segregated for a specific future use.

Total Columns (Memorandum Only) - Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in accordance with generally accepted accounting principles, nor is such data comparable to a consolidation.

Future Adoption of Accounting Pronouncements - The GASB has issued the following statements which the State has not yet adopted and which require adoption subsequent to June 30, 1997:

Statement No.		Adoption Required in Fiscal Year
31	Accounting and Financial Reporting for Certain Investments and for External Investment Pools	1998
32	Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	2000

NOTE 2: BUDGETARY BASIS REPORTING - BUDGETARY PROCESS

State finance law requires that a balanced budget be approved by the Governor and the General Assembly. The Governor presents an annual budget to the General Assembly which includes an estimate of revenues, expenditures and other financing sources and uses anticipated during the coming biennial period. The General Assembly, which has full authority to amend the budget, adopts a line item budget by appropriating monies in biennial appropriation acts. The State does not adopt a revenue budget but does monitor the revenues and forecast of revenues and makes appropriate revisions to the expenditure budget based on such forecasts. These forecasts are adjusted quarterly to reflect actual receipts of revenues.

Before signing the appropriation act, the Governor may veto any specific item, subject to legislative override. Further changes to the budget established in the biennial appropriation may be made via supplemental appropriation acts or other subsequent legislative acts. These also must be approved by the General Assembly and signed by the Governor and are subject to the line item veto.

The General Assembly also must enact legislation pursuant to the Revenue Stabilization Law (the "Stabilization Law") to provide an allotment process of funding appropriations in order to comply with the state law prohibiting deficit spending. The Governor may restrict spending to a level below appropriations amounts. The State uses specific "internal sub funds" (i.e. general and special revenue allotment accounts) for receipt and distribution of revenues. Pursuant to the Stabilization Law, all receipts are deposited in the General Revenue Allotment Account. From the General Revenue Allotment Account, 3% of all revenues are distributed to the Constitutional Officers Fund and the Central Services Fund to provide support for the State's elected constitutional offices (legislators, executive department and judges), their staffs and the Department of Finance and Administration ("DF&A"). The balance is then distributed to separate funds proportionately as established by the Stabilization Law. Special revenues are deposited into the Special Revenue Allotment Account from which, 3% of revenues collected by DF&A and 1-1/2% of all special revenues collected by other agencies are first distributed to provide support for the State's elected officials, their staffs and DF&A. The balance is then distributed to the funds for which the special revenues were collected as provided by law. Special revenues, which are primarily user taxes, are generally earmarked for the program or agency providing the related service.

General revenues are transferred into funds established and maintained by the Treasurer for major programs and agencies of the State in accordance with funding priorities established by the General Assembly.

Pursuant to the Stabilization Law, the General Assembly establishes three levels of priority for general revenue spending levels, "A," "B" and "C". Successive levels of appropriations are funded only in the event sufficient revenues have been generated to fully fund any prior level. Accordingly, appropriations made to programs and agencies are only maximum authorizations to spend. Actual expenditures are limited to the lesser of monies flowing into programs or agencies' funds maintained by the Treasurer or the maximum appropriation by the General Assembly.

Each of these legally adopted internal sub-funds are accounted for on the cash basis. All prior fiscal year unpaid bills or claims that did not have sufficient funds and appropriation at the end of the fiscal year may be submitted by the agency to the Claims Commission. Upon approval of the claims, funds are appropriated in the following biennium to allow for payment, unless the claims are approved during a special session of the legislature.

The majority of the State's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the General Assembly has authorized that an unspent balance from the prior year be carried forward and made available for current spending. In addition, the General Assembly may direct that certain revenues be retained and made available for spending within a specific appropriation account.

The rate of spending of appropriations is controlled by DF&A. DF&A utilizes quarterly allotments which restrict spending to a certain percentage of the annual appropriation. The percentage is established to coincide with the expected actual rate of revenue collections, thereby ensuring adequate cash flow throughout the year.

DF&A has the responsibility to ensure that budgetary spending control is maintained on an individual appropriation account category basis. Budgetary control is maintained through the Arkansas Accounting Federal Grants Management System ("AFGM"). AFGM ensures that expenditures are not processed if they exceed the appropriation account category's total available spending authorization, which is considered its budget. Generally, expenditures may not exceed the level of spending authorized. However, Arkansas law authorizes DF&A to transfer specific holding appropriations when other sources of funding are received, such as a federal grant.

An AFGM report, internally identified as AFGM R5901, is used by management and DF&A to monitor spending against budget. This report provides information at the individual appropriation account category level, which is the legal level of budgetary control, and is available from DF&A. For financial reporting, the State groups these appropriation account categories by function to conform to its organizational structure.

The State uses the General Fund to summarize the internal sub-funds, which represent accounts or activities that have been legally appropriated.

The following is a reconciliation of the statutory cash basis expenditures of the General Fund to the GAAP basis expenditures presented in the financial statements (expressed in thousands):

Expenditures (statutory basis)	$6,650,184
Inter-fund transactions elimination	(268,969)
Non-appropriated expenditures	381,404
Basis of accounting differences	(229,271)
Expenditures (GAAP basis)	$6,533,348

No supplemental appropriations were required during the fiscal year ended June 30, 1997.

NOTE 3: DEPOSITS AND INVESTMENTS

Cash

Arkansas Code requires that all cash fund agencies, other than the institutions of Higher Education, abide by the cash management and investments standards and procedures promulgated by the State Board of Finance. The stated primary goal of State cash management is the protection of principal, while maximizing investment earnings and minimizing non-interest bearing balances.

Cash and cash equivalents are defined as short-term highly liquid investments with original maturities of ninety days or less. The carrying amount of total deposits at June 30, 1997, is as follows (expressed in thousands):

	Primary Government	Component Units
Carrying amount of deposits	$1,024,800	$ 9,207
Bank balance of deposits	1,245,653	9,621
Amount insured or collateralized with securities held by the State or its agent in the State's name	1,158,533	3,218
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the State's name	50,309	6,375
Uncollateralized, or collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the State's name	36,811	28

The following schedule reconciles the carrying amount of deposits as disclosed above to the combined balance sheet (expressed in thousands):

	Primary Government	Component Units
Carrying amount of deposits	$1,024,800	$ 9,207
Cash on hand	1,729	
Undeposited receipts	16,702	
Cash held at U.S. Treasury	207,866	
Cash equivalents disclosed as investments for GASB 3	2,263,212	105,249
Cash and cash equivalents as reported on the combined balance sheet	$3,514,309	$114,456

Investments

State funds are invested by the Treasurer, as well as various state agencies, including the Retirement Systems, institutions of Higher Education, and Discretely Presented Component Units. Permissible investments include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); repurchase agreements; corporate debt and equity obligations; and state and local government securities.

Purchased investments are generally stated at cost, amortized cost or fair value, while donated investments are recorded at fair market value at the date of gift. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, the State's investments are categorized to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the State's name.

Primary Government -

Investments for the Primary Government at June 30, 1997, by security type and level of risk, are as follows (expressed in thousands):

Security Type	Category 1	2	3	Carrying Amount	Market Value
Categorized:					
U.S. Government securities	$ 758,220	$549,524	$ 6,456	$ 1,314,200	$ 1,324,352
Corporate securities	4,529,678	288,617	383,711	5,202,006	5,209,296
International securities	980,653		6,888	987,541	987,541
Repurchase agreements	788,210		444,950	1,233,160	1,234,232
Bank obligations	9,061	1,000	446,391	456,452	456,452
State and local government securities	40,908			40,908	42,066
Other categorized	56,336	226	111,795	168,357	168,358
Total Investments Categorized by Security Type	$7,163,066	$839,367	$1,400,191	9,402,624	9,422,297
Uncategorized:					
Mutual funds				1,008,686	1,020,197
Securities lent for collateral cash				1,730,555	1,730,555
Commingled funds				180,823	180,823
Mortgage obligations				206,071	206,071
Real estate				38,565	38,565
Limited partnership investment				40,215	40,215
Private placements				61,186	61,186
Investment pool				146,952	146,952
Deposits with deferred compensation plans				131,455	131,455
Other investments				682	682
Total				$12,947,814	$12,978,998

The following schedule reconciles the carrying amount of investments as disclosed above to the combined balance sheet (expressed in thousands):

Carrying amount of investments	$ 12,947,814
Cash equivalents disclosed as investments for GASB 3	(2,263,212)
Investments as reported on the combined balance sheet	$ 10,684,602

Component Units -

Investments for the Discretely Presented Component Units at June 30, 1997, by security type and level of risk, are as follows (expressed in thousands):

Security Type	Category 1	2	3	Carrying Amount	Market Value
Categorized:					
U.S. Government agency obligations	$581,842		$14,522	$596,364	$585,138
Total Investments Categorized by Security Type	$581,842		$14,522	596,364	585,138
Uncategorized:					
Guaranteed investment contracts				247,127	247,127
Mutual funds				105,249	105,249
Total				$948,740	$937,514

The following schedule reconciles the carrying amount of investments as disclosed above to the combined balance sheet (expressed in thousands):

Carrying amount of investments	$ 948,740
Cash equivalents disclosed as investments for GASB 3	(105,249)
Investments as reported on the combined balance sheet	$ 843,491

NOTE 4: DERIVATIVES

Forward Currency Contracts

Arkansas Public Employees Retirement System ("APERS"), Arkansas Teacher Retirement System ("Teacher"), and Arkansas State Police Retirement System ("State Police") enter into forward-exchange contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at appreciation/depreciation in the statement of changes in plan net assets. The realized gain or loss on closed forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in net realized gain or loss on forward currency contracts in the statement of changes in plan net assets. At June 30, 1997, the retirement systems referred to above were party to outstanding forward exchange currency contracts to purchase foreign currencies with contract amounts of $115.7 million, collectively. Market values of these outstanding contracts were $114.8 million resulting in an unrealized net loss of approximately $912 thousand. The retirement systems also had outstanding forward currency contracts to sell foreign currency with contract amounts of $122 million at June 30, 1997. Market values of these contracts were $121 million resulting in an unrealized net gain of approximately of $1.4 million.

Mortgage-Backed Securities

As of June 30, 1997, Teacher and APERS held mortgage-backed securities of approximately $173.5 and $107.9 million, respectively, at fair value. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although Teacher will receive the full amount of principal if prepaid, the interest that can be earned through reinvestment may be less than would have been earned on the securities prepaid depending on alternative reinvestment opportunity. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new lower financing. In addition to changes in interest rates, mortgage loan prepayments depend on other factors such as loan types and geographic location of the related properties.

Interest Rate Swaps

ASLA has entered into an interest rate swap agreement to effectively convert $32.7 million of fixed rate debt to variable rate debt with a weighted average interest rate based on the PSA Municipal Swap Index. The effective interest rate of the debt was 5.1% for the period ended June 30, 1997. The differential to be paid or received on the interest rate swap is accrued as interest rates change and is charged or credited to interest expense over the life of the agreement. ASLA's credit risk related to this interest rate swap agreement is generally the differential, if any, payable by the counterparty which accumulated prior to the June 1, and December 1, settlement dates each year. ASLA is exposed to interest rates if the weighted PSA Municipal Swap Index rate exceeds 4.84%. The related PSA Municipal Swap Index rate was 3.98% at June 30, 1997. The interest rate swap agreement is set to expire on June 1, 2003.

NOTE 5: SECURITIES LENDING ARRANGEMENTS

State Police, Teacher and APERS participate in security lending programs, as authorized by Arkansas Code Annotated Title 24, Chapter 3, Subchapter 4, Section 12, whereby investment securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash and cash equivalents or other securities guaranteed by the U.S. Government or an agency thereof equal to at least 100% of the full market value of the security loaned. At all times during the term of each loan, the total value of the collateral is not to be less than 95% of the full market value of all securities on loan. The program is administered by custodial agent banks. The Code does not specify the types of securities that may be loaned. The type of securities on loan at June 30, 1997, includes domestic and international equities, domestic and international corporate fixed income securities, U.S. Treasury securities, government agency securities, and non U.S. sovereigns. Securities on loan at fiscal year end for cash collateral are uncategorized in the preceding summary of deposits and investments (Note 3); securities on loan for non-cash collateral are classified by category of custodial credit risk based on the categorization appropriate for the collateral. With the exception of cash collateral, the pensions do not have the ability to pledge or sell the collateral unless there is borrower default. The pensions invest cash collateral received; accordingly, investments made with cash collateral received appear as assets on the Statement of Plan Net Assets and Combined Balance Sheet. As the pensions must return the cash collateral to the borrower upon expiration of the loan a corresponding liability is recorded in accrued and other liabilities. At June 30, 1997, cash collateral and investments made with cash collateral was approximately $1.8 billion. These securities have also been classified in the preceding summary of deposits and investments (Note 3). The weighted average maturity of collateral investments generally does not match the maturity of the loans. The custodial agents provide the pensions with an indemnification if an insolvency causes the borrower to fail to return the securities lent. However, in the history of the pensions' participation in such programs, no losses resulting from default have occurred. Total securities on loan at June 30, 1997, was $2.11 billion and total collateral received for these securities on loan was $2.18 billion.

NOTE 6: CHANGES IN ACCOUNTING AND REPORTING PRACTICES

Subsequent to the issuance of the State's 1996 general purpose financial statements, management of the State determined that certain capital leases had inadvertantly been excluded from the general long-term debt account group and accordingly has restated the June 30, 1996, balance for amount to be provided for debt retirement and capital leases payable in the general long debt account group and fixed assets, net and investment in fixed assets in the general fixed asset account group as follows (expressed in thousands):

	Amount to be Provided	Capital Leases	Fixed Assets, Net	Investment in Fixed Assets
Balance as previously reported	$509,676	$60,304	$796,516	$796,516
Restatement	30,389	30,389	30,389	30,389
Balance as of June 30, 1996, as adjusted	$540,065	$90,693	$826,905	$826,905

NOTE 7: RECEIVABLES (expressed in thousands)

Receivables at June 30, 1997, consisted of the following:

Primary Government -

	Accounts	Taxes	Employer	Employee	Notes and Deposits	Medicaid	Loans	Investment Related	Allowance for Uncollectibles	Net Receivable by Fund Type
General Fund	$ 87,020	$235,241			$44,074	$113,942	$108,294	$ 8,751	$ (51,775)	$545,547
Enterprise Funds	9,508							1,600		11,108
Trust and Agency Funds	64,955		$9,665	$4,609				92,047	(17,136)	154,140
Higher Education Fund	382,665				39,669			1,566	(265,866)	158,034
Total	$544,148	$235,241	$9,665	$4,609	$83,743	$113,942	$108,294	$103,964	$(334,777)	$868,829

Component Units -

	Accounts	Loans	Investment Related	Allowance for Uncollectibles	Net Receivable by Component Unit
ASLA		$140,716	$ 2,405	$(1,760)	$141,361
ADFA	$13,927	725,653	11,373		750,953
Total	$13,927	$866,369	$13,778	$(1,760)	$892,314

NOTE 8: INTERGOVERNMENTAL ACTIVITY (Expressed in thousands)

Interfund Receivables and Payables

	Due from	Due to
General Fund	$ 507	$22,535
Trust and Agency Funds -		
Pension Trust	18,893	
Higher Education Fund	3,642	507
Total	$23,042	$23,042

Receivables and Payables Between Primary Government and Discretely Presented Component Units

	Due from	Due to
General Fund	$ 2,165	
Component Units - ADFA		$ 2,165
Total	$ 2,165	$ 2,165

Intrafund Receivables and Payables

	Due from	Due to
Higher Education Fund:		
Current funds	$ 5,576	$ 9,521
Loan		8
Endowment and similar	116	90
Plant	5,841	1,909
Agency	17	22
Total	$ 11,550	$ 11,550

Advances to/from Other Funds - Primary Government

	Advances to	Advances from
General Fund	$ 17,082	$ 24,825
Trust and Agency Funds - Pension Trust	24,825	
Higher Education Fund		17,082
Total	$ 41,907	$ 41,907

Advances to/from Primary Government and Discretely Presented Component Units

	Advances to	Advances from
Trust and Agency Funds - Pension Trust	$ 1,096	
Component Units - ADFA		$ 1,096
Total	$ 1,096	$ 1,096

Operating Transfers

	Operating Transfers In	Operating Transfers Out
General Fund	$ 3,142	$546,967
Enterprise Fund - Workers' Compensation Commission		409
Higher Education Fund	546,967	2,733
Total	$550,109	$550,109

NOTE 9: FIXED ASSETS (expressed in thousands)

Primary Government -

Changes in general fixed assets were as follows:

	Balance June 30, 1996 As Adjusted	Additions	Deletions	Balance June 30, 1997
Land	$129,937	$ 5,119	$ 1,416	$ 133,640
Buildings	479,486	57,710	1,795	535,401
Equipment	176,075	22,579	7,538	191,116
Construction in progress	41,407	50,012	46,008	45,411
Total	$826,905	$135,420	$56,757	$ 905,568

At June 30, 1997, fixed assets by category consisted of the following amounts:

	Enterprise Fund	Fiduciary Funds	Higher Education Fund
Land			$ 115,054
Buildings			1,059,924
Equipment	$ 1,873	$ 851	374,606
Construction in progress			84,562
Other			120,767
Subtotal	1,873	851	1,754,913
Less: Accumulated Depreciation	(1,342)		
Total	$ 531	$ 851	$1,754,913

Component Units -

At June 30, 1997, fixed assets reported in the State's discretely presented component units consisted of the following amounts:

Equipment	$ 501
Other	412
Subtotal	913
Less: Accumulated Depreciation	(461)
Total	$ 452

NOTE 10: SUMMARY OF GENERAL LONG-TERM DEBT

The State records its general long-term liabilities in the General Long-Term Debt Account Group. These liabilities include general obligation bonds, special obligations bonds, notes payable, other debt instruments, capital leases, claims and judgments payable in future years, accrued compensated absences and unfunded pension costs.

The following schedule shows the changes in the General Long-Term Debt Account Group for the year ended June 30, 1997 (expressed in thousands):

	Balance June 30, 1996 As Adjusted	Debt Issued	Debt Paid	Other Changes	Balance June 30, 1997
Bonds:					
General obligation	$244,683	$ 74,999	$(29,129)	$ 8,548	$299,101
Special obligation	12,790		(2,070)		10,720
Notes payable	25,039		(25,039)		
Other debt instruments	12,442		(3,819)		8,623
Capital leases	90,693	59,605	(22,956)		127,342
Claims and judgments	103,541			(5,065)	98,476
Compensated absences	65,348			4,483	69,831
Unfunded pension costs	5,091			955	6,046
Total	$559,627	$134,604	$(83,013)	$ 8,921	$620,139

Primary Government -

Governmental Fund Type Operations

General Obligation Bonds - The Constitution of the State does not limit the amount of general obligation bonds which may be issued by the State; however, no such bonds may be issued unless approved by the voters of the State at a general election or a special election held for that purpose.

General obligation bonds outstanding at June 30, 1997, including accrued accreted interest of approximately $28.8 million on capital appreciation bonds, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %	Balance
Soil and Water Conservation Bonds:			
1992A Series Water Resources G.O. Bonds	2021	5.00 - 6.38	$ 19,280
1995A Series Water Resources G.O. Bonds	2024	4.40 - 5.60	5,120
1995B Series Water Resources G.O. Bonds	2025	4.00 - 5.75	7,290
1996A Series Water Resources G.O. Bonds	2017	4.50 - 5.38	12,025
1996B Series Water Resources G.O. Bonds	2025	4.70 - 5.85	7,500
1997A Series Water Resources G.O. Bonds	2026	4.00 - 5.70	15,000
1992B Series Waste Disposal G.O. Bonds	2020	4.60 - 6.25	9,545
1994A Series Waste Disposal G.O. Bonds	2008	4.40 - 5.50	9,565
1995A Series Waste Disposal G.O. Bonds	2025	3.85 - 5.50	2,460
1996A Series Waste Disposal G.O. Bonds	2025	5.10 - 5.63	5,000
College Savings Bonds:			
1991 Series A, G.O. Bonds	2011	6.00 - 7.00	18,384
1991 Series B, G.O. Bonds	2012	6.00 - 7.00	26,717
1991 Series C, G.O. Bonds	2013	5.50 - 6.90	16,493
1993 Series, G.O. Bonds	2014	4.20 - 5.95	19,098
1995 Series, G.O. Bonds	2015	4.00 - 5.90	23,199
1996 Series A, G.O. Bonds	2016	3.70 - 5.65	24,872
1996 Series B, G.O. Bonds	2016	4.20 - 6.30	17,819
1996 Series C, G.O. Bonds	2016	4.00 - 6.00	29,105
1997 Series A, G.O. Bonds	2017	4.00 - 6.05	30,629
Total			$299,101

Future amounts required to pay principal and interest on general obligation bonds at June 30, 1997, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
1998	$ 17,294	$ 8,018	$ 25,312
1999	18,177	9,990	28,167
2000	16,669	9,040	25,709
2001	16,718	9,360	26,078
2002	14,712	12,101	26,813
Thereafter	186,741	194,406	381,147
Total	$270,311	$242,915	$513,226

Details of general obligation bonds outstanding are as follows:

State Water Resources Development General Obligation Bonds - Act 496 of 1981, as amended, authorized the Soil and Water Conservation Commission to issue State Water Resources Development General Obligation Bonds. All bonds issued under the authority of this Act are general obligations of the State of Arkansas and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The Act limited the total principal amount to $100 million with no more than $15 million being issued during any fiscal biennium. Act 5 of the First Extraordinary Session of 1995 authorized the Soil and Water Conservation Commission to issue State Water Resources Development General Obligation Bonds not to exceed $30 million during the biennium ending June 30, 1993. The Water Series 1992A bonds were issued to refund the outstanding principal amount of Water Series 1985 bonds. The Water Series 1992A bonds were also issued to provide funds for financing the development of water resource projects in the State. The Series 1992A bonds are payable from general revenues generated by the water resource projects. The Water Series 1995A bonds were issued to provide financing for the development of water resource projects in the State. The 1995A bonds are payable from the general revenues of the State, any repayments on project loans and investment earnings on the proceeds of the bonds. The Water Series 1995B, 1996B and 1997A bonds were issued to provide financing for the development of water resources projects in the State. The bonds are payable from the general revenues of the State, any repayments on project loans and investment earnings on the proceeds of the bonds. On April 1, 1996, the Soil and Water Conservation Commission issued the Water Series 1996A to defease approximately $13 million of outstanding Water Series 1989A. Bond proceeds were placed in the State Treasury and were used to refund the Water Series 1989A on July 1, 1996.

State Waste Disposal and Pollution Abatement Facilities General Obligation Bonds - Act 686 of 1987, as amended, authorized the State to issue Waste Disposal and Pollution Abatement Facilities General Obligation Bonds. All bonds issued under the authority of this act are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The Act limited the total principal amount to $250 million with no more than $50 million being issued during any fiscal biennium unless the General Assembly by law authorizes a greater amount to be issued. The Waste Series 1992B and 1994A bonds were issued to refund the outstanding principal amount of Waste 1990A and 1992A bonds. The 1992B and 1994A bonds are payable from the general revenues of the State, any repayments on project loans and investment earnings on the proceeds of the bonds. The Waste Series 1995A and 1996A bonds were issued to provide financing for the development of waste disposal and pollution abatement facilities projects in the State of Arkansas. The bonds are payable from the general revenues of the State, any repayments on project loans and investment earnings on the proceeds of the bonds.

College Savings General Obligation Bonds - Act 683 of 1989, as amended, authorized the State to issue College Savings General Obligation Bonds. All bonds issued under the authority of this act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The Act provides that no more than $100 million may be issued in any fiscal biennium unless the General Assembly of the State shall, by law, authorize a greater principal amount thereof to be issued. The College Series bonds were issued to provide funds to finance capital improvements projects at State institutions of higher education. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds.

Special Obligation Bonds - Special obligation bonds are issued by various state departments, agencies and authorities which are part of the primary government. Special obligation bonds are issued pursuant to specific statutory provision enacted by the Legislature. Principal and interest payments are made from specifically dedicated fees and other revenues generated by the appropriate program. Special obligation bonds do not constitute general debt of the State.

Special obligation bonds outstanding at June 30, 1997, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s) %	Balance
Arkansas Industrial Development Commission -			
Guaranty Fund Revenue Bonds - Series 1990	2000	6.38 - 6.50	$ 1,940
Vocational and Technical Education:			
Capital Improvement - Series 1985 "A"	2000	8.75 - 9.00	365
Capital Improvement Refunding Bonds -			
Series 1988 "A, B and C"	1999	6.75 - 6.88	1,295
Capital Improvement - Series 1992 "A"	2012	5.25 - 6.38	1,385
Department of Parks and Tourism:			
State Parks Revenue System - Series 1971	2001	5.00 - 6.75	990
Arkansas Museum and Cultural Commission -			
Series 1976	2003	7.40 - 7.50	2,045
War Memorial Stadium Commission -			
Revenue Improvement Bonds - Series 1995	2000	6.25	2,700
Total			$10,720

Future amounts required to pay principal and interest on special obligation bonds at June 30, 1997, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
1998	$ 2,340	$ 669	$ 3,009
1999	2,510	513	3,023
2000	2,475	349	2,824
2001	1,480	201	1,681
2002	450	132	582
Thereafter	1,465	470	1,935
Total	$10,720	$2,334	$13,054

Details of special obligation bonds outstanding are as follows:

Arkansas Industrial Development Commission - The $5.3 million Arkansas Industrial Development Commission Guaranty Fund Revenue Bonds, Series 1990, dated April 1, 1990, were issued under the authority of Arkansas Code Annotated 15-4-701 and pursuant to a resolution duly adopted by the Arkansas Industrial Development Commission. The proceeds from the sale of the bonds were used to replenish monies held in the Commission's Bond Reserve Guaranty Fund. The bonds are payable from earnings derived by the State Board of Finance from investment of State Treasury balances.

State Board of Vocational Education -The capital improvement revenue bonds and revenue refunding bonds were issued under the authority of Act 6 of the First Extraordinary Session of 1968, as amended. The 1985 Series A, 1988 Series A, B and C, and 1992 Series A bonds are all special obligations of the State Board of Vocational Education. The 1985, 1988, and 1992 bonds are payable from and secured solely by pledged revenues and investment earnings on the proceeds of the bonds. The Series 1988 bonds are additionally secured by a first lien on the pledged revenues. The proceeds from the sale of the 1985 and 1992 bonds are to be used to finance various capital improvements at vocational technical schools. The proceeds from the sale of the 1988 bonds were used to provide funds to refund Capital Improvement Revenue Bonds, Series 1984 A, B and C.

Department of Parks and Tourism - Act 399 of 1953 authorized the Department to borrow money and issue bonds for the improvement of parks in the State Parks System. The 1971 series bonds debenture is secured by a pledge of gross revenues derived from operation and/or ownership of the State Parks System. This debenture does not constitute an indebtedness for which the faith and credit of the State of Arkansas or any of its revenues are pledged and is not secured by a mortgage or lien on any State Parks System facility. The 1971 bonds were issued to provide financing for a portion of the cost of constructing improvements to various parks in the State Parks System. The bonds are payable from revenues generated by the State Parks System.

In accordance with Act 515 of 1971, the Arkansas Museum and Cultural Commission issued bonds dated June 1, 1976, in the total amount of $5 million for the purpose of financing the costs of acquiring a site for and constructing and equipping the Arkansas Museum and Cultural Center (the "Center") at Hot Springs, Arkansas, paying necessary expenses incidental thereto and paying the expenses of issuing revenue bonds. The bonds are obligations of the Commission and do not constitute an indebtedness for which the faith and credit of the State or any of its revenues are pledged. The bonds are to be paid from the revenues generated by the Center. To the extent that revenues from the Center are insufficient to cover debt service, the bonds are also collateralized by a pledge of earnings from investment of State funds to the extent of $500 thousand per year.

Subsequent to the issuance of these bonds, the Commission ceased to exist. The responsibilities and obligations of the Commission were assumed by the Department of Parks and Tourism.

War Memorial Stadium Commission - The War Memorial Stadium Commission Stadium Improvement Revenue Bonds Series 1995, dated December 15, 1995, in the amount of $3.15 million were issued under the authority of Amendment 65 to the Constitution of the State of Arkansas. The bonds were issued to provide financing for the cost of acquiring, constructing, and equipping of betterments and improvements to War Memorial Stadium located in Little Rock, Arkansas, and paying the costs of issuing the bonds. The bonds are payable from net revenues derived by the Commission from the operation of the Stadium.

Other Debt Instruments - Other debt instruments are similar to special obligation bonds in regard to the methods of issuance and the sources of repayment of principal and interest.

Other debt instruments outstanding at June 30, 1997, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s) %	Balance
Certificates of Indebtedness:			
State Building Services - 1984 Issue "A"	2003	8.50	$ 1,475
State Building Services - 1984 Issue "C"	2003	8.50	3,586
State Building Services - 1985 Issue "D"	2003	8.50	1,513
State Building Services - 1986 Issue "E"	2003	8.50	144
Arkansas Industrial Development Commission Bond Reserve Guaranty Fund - Issues in Default	2010	various	1,905
Total			$ 8,623

Future amounts required to pay principal and interest on other debt instruments at June 30, 1997, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
1998	$ 876	$ 663	$ 1,539
1999	944	590	1,534
2000	978	511	1,489
2001	1,062	427	1,489
2002	1,148	337	1,485
Thereafter	3,615	635	4,250
Total	$8,623	$3,163	$11,786

Details of other debt instruments are as follows:

State Building Services - Act 458 of 1983 authorized State Building Services to issue certificates of indebtedness designated as State Building Services Certificates of Indebtedness. These certificates of indebtedness are special obligations secured solely by a lien on and pledge of specific pledged revenues. The Act limited the total principal amount to $25 million. The proceeds of the sale of certificates of indebtedness were used to construct facilities for the Department of Correction and to construct and equip facilities at State supported institutions of higher education. Debt service requirements are met by certain pledged revenues.

Arkansas Industrial Development Commission ("AIDC") - The AIDC Bond Reserve Guaranty Fund is used to guarantee amortization payments on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 1997, total bonds guaranteed by the AIDC Bond Reserve Guaranty Fund amounted to approximately $43 million of which bonds totaling approximately $2 million were in default status and are recorded in the General Long-Term Debt Account Group.

Higher Education Fund

Colleges and Universities - The Boards of Trustees of State supported colleges and universities are authorized to issue revenue bonds and notes for the purpose of financing all or part of the acquisition of land, the construction or renovation of buildings and the acquisition of furnishings or equipment for any such buildings of all State colleges and universities. The bonds, which are not general debt of the State, are payable from student tuition and other fees.

At June 30, 1997, college and university revenue bonds and notes payable outstanding were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s) %	Balance
Henderson State University	2020	3.00 - 9.00	$ 9,558
Southern Arkansas University	2014	3.00 - 8.75	5,264
Southern Arkansas University Tech	2015	4.8	790
Arkansas State University - Beebe	2012	3.00 - 7.04	2,033
Arkansas State University	2009	3.00 - 7.50	14,046
Arkansas Tech University	2016	2.88 - 7.50	2,821
University of Arkansas at Fayetteville	2022	3.00 - 7.50	40,624
University of Arkansas at Little Rock	2014	2.78 - 6.00	34,662
University of Arkansas for Medical Sciences	2019	1.40 - 8.65	80,357
University of Arkansas at Monticello	2004	2.88 - 4.50	367
University of Arkansas at Pine Bluff	2027	variable	8,385
University of Central Arkansas	2026	2.75 - 8.00	34,803
East Arkansas Community College	2012	3.50 - 6.00	2,145
Garland County Community College	2017	5.50 - 6.50	3,915
Mississippi County Community College	2018	5.40 - 6.00	3,510
North Arkansas Community Technical College	2010	5.37 - 6.50	3,299
Phillips Community College	2000	8.00	89
Rich Mountain Community College	2005	3.60 - 5.30	655
Westark Community College	2017	4.00 - 7.25	30,025
Northwest Arkansas Community College	2012	4.25 - 5.80	5,045
Mid-South Technical College	2018	4.60 - 6.12	5,925
Pulaski Technical College	2014	variable	1,590
University of Arkansas at Hope Community College	2018	5.75	4,255
Total			$294,163

Future amounts required to pay principal and interest on college and university revenue bonds and notes payable as of June 30, 1997, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
1998	$ 15,881	$ 11,728	$ 27,609
1999	15,879	11,357	27,236
2000	15,906	10,698	26,604
2001	15,958	10,033	25,991
2002	15,024	9,334	24,358
Thereafter	215,515	69,462	284,977
Total	$294,163	$122,612	$416,775

Component Units -

Arkansas Student Loan Authority - Revenue bonds are issued by ASLA pursuant to Act 873 of 1977 to make loans directly to students and purchase qualified student loans from Arkansas lending institutions or loans made by non-Arkansas institutions to Arkansas residents. Principal and interest payments are made from specifically dedicated revenues generated by ASLA. Revenue bonds do not constitute general debt of the State.

Revenue bonds outstanding at June 30, 1997, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s) %	Balance
Student Loan Revenue Bonds, Series 1991	2002	4.75 - 7.15	$ 3,570
Student Loan Revenue Bonds, Series 1992A-1	2006	5.25 - 6.40	61,404
Student Loan Revenue Bonds, Series 1992A-2	2006	6.13 - 6.75	6,530
Student Loan Revenue Bonds, Series 1993A-1	2006	5.00 - 6.13	7,155
Student Loan Revenue Bonds, Series 1994A	2009	variable	53,400
Student Loan Revenue Bonds, Series 1994B	2009	7.25	6,600
Student Loan Revenue Refunding Bonds, Series 1996A	2010	variable	42,900
Student Loan Revenue Refunding Bonds, Series 1996B	2010	6.25	14,000
Total			$195,559

Future amounts required to pay principal and interest on revenue bonds at June 30, 1997, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
1998	$ 2,100	$ 10,531	$ 12,631
1999	9,135	10,202	19,337
2000	15,090	9,510	24,600
2001	18,975	8,521	27,496
2002	14,060	7,512	21,572
Thereafter	136,199	48,818	185,017
Total	$195,559	$ 95,094	$290,653

Notes payable consist of an $8.5 million tax-exempt promissory note issued for the purpose of retiring a portion of the 1992A and 1993A Series bonds. The interest rate on the note is 6.0% per annum and is payable at maturity. Principal and interest of approximately $8.6 million are due on December 15, 1997, and are to be repaid using funds from the issuance of the 1997 Series bonds. Collateral on the note includes $8.5 million of bond redemption proceeds for the 1992A and 1993A Series bonds held by the lender in a collateral trust account pending the new bond issue.

Arkansas Development Finance Authority - Pursuant to Act 1062, ADFA is authorized and empowered to issue bonds and various other debt instruments for the purpose of financing qualified agricultural business enterprises, capital improvement facilities, educational facilities, health care facilities, housing developments and industrial enterprises.

Bonds and other debt instruments issued by ADFA are special obligations of ADFA payable solely from and collateralized by a first lien on the proceeds, monies, revenues, rights, interests, and collections pledged therefore under the resolutions authorizing the particular issues. The State is not obligated to pay the bonds and other debt instruments, and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal or redemption price of or interest on the bonds and other debt instruments. ADFA has no taxing power.

Bonds payable at June 30, 1997, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s) %	Balance
Single Family Bonds Payable	2028	3.50 - 10.00	$ 771,715
Multi-Family Bonds Payable	2047	4.00 - 10.75	57,101
Development Finance Programs Bonds Payable	2030	3.30 - 11.00	310,900
Other Program Bonds Payable	2019	3.25 - 9.75	275,554
Total			$1,415,270

Future amounts required to pay principal, sinking fund redemptions of $151 thousand and interest on ADFA debt at June 30, 1997, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
1998	$ 37,034	$ 93,446	$ 130,480
1999	31,046	91,273	122,319
2000	36,473	86,191	122,664
2001	43,978	86,401	130,379
2002	45,572	82,124	127,696
Thereafter	1,221,167	938,481	2,159,648
Total	$1,415,270	$1,377,916	$2,793,186

Current Year Defeasances

Primary Government -

On April 1, 1996, the Soil and Water Conservation Commission issued approximately $12 million State Water Resources Development G.O. Refunding Bonds, Series 1996A to defease approximately $13 million of outstanding State Water Resources Development G.O. Bonds, Series 1989A. Bond proceeds were placed in the State Treasury and were used to refund the outstanding bonds on July 1, 1996.

On November 1, 1996, University of Arkansas at Fayetteville issued $12.1 million Board of Trustees of University of Arkansas Various Facility Refunding Revenue Bonds (Fayetteville Campus), series 1996 to defease $6 million of Various Facility Refunding Bonds, Series 1988, and to defease $5.6 million of Various Facility Revenue Bonds, Series 1989A. Bond proceeds of $12.3 million were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to reduce the aggregate debt service payment by approximately $1.1 million over the next 12 years and realized an economic gain (difference between present value of the old and new debt service payments) of approximately $886 thousand.

On February 1, 1997, University of Arkansas at Little Rock ("UALR") issued $6.8 million Board of Trustees of University of Arkansas Refunding Revenue Bonds (Little Rock Campus), series 1997 to defease $6.3 million of Revenue Bonds, Series 1989B ("Refunded bonds"). Bond proceeds of $6.7 million were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the Refunded bonds. UALR reduced the aggregate debt service payments by approximately $429 thousand over the next 15 years and realized an economic gain (difference between present value of the old and new debt service payments) of approximately $321 thousand.

On June 1, 1997, Westark Community College issued $30 million Sebastian County (Arkansas) Community Junior College District General Obligation Refunding and Improvement Bonds, Series 1997 to finance capital improvements for Westark and to defease $12.4 million of General Obligation Improvement Bonds, Series 1990 ("Refunded bonds"). Bond proceeds of $13.2 million were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the Refunded bonds. Westark reduced the aggregate debt service payments by approximately $531 thousand over the next 5 years and realized an economic gain (difference between present value of the old and new debt service payments) of approximately $406 thousand.

Prior Defeasances

Primary Government -

In prior years, the State defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $130 million are considered defeased at June 30, 1997.

Component Units -

In prior years, ADFA defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $79 million are considered defeased at June 30, 1997.

NOTE 11: LEASES

The State has entered into various lease agreements with the private sector, primarily for buildings and equipment. These agreements are for various terms with most containing clauses indicating that their continuation is subject to continuing appropriation by the Legislature. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease.

The State also has lease agreements for buildings and equipment which are accounted for as capital leases. FASB Statement No. 13, "Accounting for Leases," requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee. Capital leases for the nongovernmental funds are reported as a long-term obligation in those funds along with the related assets. Capital leases for the Governmental Funds are reported in the General Long-Term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group.

Most of these leases contain a fiscal funding addendum stating that the lease shall terminate on the last day of the fiscal year, if appropriated funds for the ensuing fiscal year are insufficient. However, these leases are accounted for as capital leases and are considered non-cancelable for financial reporting purposes.

Primary Government -

Future minimum commitments under operating and capital leases by fund type as of June 30, 1997, were as follows (expressed in thousands):

	Capital Leases		
	GLTDAG	Proprietary Fund	Higher Education Fund
Year ending June 30:			
1998	$ 17,312	$ 244	$4,014
1999	16,793	239	2,269
2000	15,047	239	937
2001	14,622	244	533
2002	14,506	242	213
Thereafter	105,696	2,661	638
Total Minimum Lease Payments	183,976	3,869	8,604
Less: Interest	56,634	1,379	997
Present Value of Future Minimum Lease Payments	$127,342	$2,490	$7,607

	Operating Leases		
	General Government	Proprietary Fund	Higher Education Fund
Year ending June 30:			
1998	$ 10,871	$ 179	$2,389
1999	9,105	139	1,665
2000	5,919	70	1,332
2001	5,174		1,088
2002	2,587		497
Thereafter	8,881		770
Total Minimum Lease Payments	$ 42,537	$ 388	$7,741

Component Units -

Future minimum commitments under operating and capital leases by discretely presented component units as of June 30, 1997, were as follows: 1998, $63 thousand; and 1999, $58 thousand. Total rent expense for all operating leases was approximately $66 thousand for the year ended June 30, 1997.

NOTE 12: DESIGNATED FUND BALANCE

Detail of designated general fund balance as of June 30, 1997, is as follows (expressed in thousands):

Continuing appropriations	$ 41,401
Debt service	19,798
Budget stabilization	1,034,216
Total (memorandum only)	$1,095,415

Designations for budget stabilization reflect the intent of Arkansas financial laws with regard to future use of current financial resources.

NOTE 13: PENSIONS

Plan Descriptions - The State contributes to three single-employer defined benefit pension plans: Arkansas Judicial Retirement Plan ("Judicial"), Arkansas Highway and Transportation Retirement Plan ("Highway"), and State Police. State Police and Judicial are administered by Arkansas Public Employees Retirement System, and Highway is administered by the plan itself. Each plan provides retirement, disability, and death benefits, in accordance with benefit provisions as established and amended by State Statute (A.C.A.24). Each plan issues a publicly available financial report, which may be obtained by writing or calling the appropriate plan:

Arkansas Judicial Retirement Plan	Arkansas Highway and Transportation Retirement Plan	Arkansas State Police Retirement Plan
One Union National Plaza 124 W. Capitol, 5th Floor Little Rock, AR 72201 (501) 682-7855	P. O. Box 2261 Little Rock, AR 72203 (501) 569-2000	One Union National Plaza 124 W. Capitol, 5th Floor Little Rock, AR 72201 (501) 682-7855

The State also contributes to two cost-sharing multiple-employer defined benefit plans: Teacher, administered by the Arkansas Teacher Retirement System Board of Trustees, and APERS, administered by the Arkansas Public Employees Retirement System Board of Trustees, which provide retirement, disability and death benefits and annual cost of living adjustments to plan members and beneficiaries. Benefit provisions are established and amended by state statute (A.C.A.24). Each plan issues a publicly available financial report, which may be obtained by writing or calling the appropriate plan:

Arkansas Teacher Retirement Plan	Arkansas Public Employees Retirement Plan
1400 West Third Street Little Rock, AR 72201 (501) 682-1517	One Union National Plaza 124 W. Capitol, 5th Floor Little Rock, AR 72201 (501) 682-7855

For the year ended June 30, 1997, the payroll of State employees covered by the pension plans was approximately $773 million.

Funding Policies - State statute establishes the contribution requirements of plan members and the State. The State's annual pension cost for the current year and related information for each plan is as follows:

	Judicial	Teacher	State Police	Highway	APERS
Number of participating employers/contributing entities	1	428	1	1	765
Contribution rates (% of covered payroll):					
State	37.37 %	12.00 %	35.33 %	12.90 %	10.00 %
Plan members - contributory plans	6.00 %	6.00 %	0.00 %	6.00 %	6.00 %
Annual pension cost (in thousands)	$ 3,613	$ 153,546	$ 7,066	$ 14,482	$ 82,051
Contributions made (in thousands)	$ 5,381	$ 153,546	$ 6,111	$ 14,851	$ 82,051
Actuarial valuation date	June 30, 1997	June 30, 1997	June 30, 1997	June 30, 1997	June 30, 1997
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed	Level Percentage of Pay, Open	Level Percentage of Pay, Open	Level Percentage of Pay, Open	Level Percentage of Pay, Open
Remaining amortization period	16 years	12 years	25 years	3.9 years	30 years
Asset valuation method	4 Year Smoothed Market	4 Year Smoothed Market	4 Year Smoothed Market	5 Year Smoothed Market	4 Year Smoothed Market
Actuarial assumptions:					
Inflation rate	5.00 %	5.00 %	4.75 %	4.50 %	4.75 %
Investment rate of return*	7.50 %	8.00 %	7.75 %	8.00 %	7.75 %
Projected salary increases*	5 to 7.2%	5 to 8.8%	5.75 to 9.55%	5 to 11%	4.91 to 8.59%
Post retirement benefit increases	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %

*Includes assumed inflation.

State Police and APERS consist of both a contributory plan, which has been in effect since the beginning of the plans, and is available to all persons who became members prior to January 1, 1978; and a non-contributory plan, which was created by Act 793 of 1977 and was effective January 1, 1978. The non-contributory plan applies automatically to all persons hired January 1, 1978, or later. Members of the Teacher plan contribute 6% of their salaries, except for members who became members before July 1, 1971,

who can contribute only on the first $7,800 of their annual salary; and effective July 1, 1993, all new members, including any former active members, are automatically non-contributory members. By individual election, members of the Teacher plan may choose to contribute. Active members of the Judicial plan contribute 6% of their salaries. Members of the Judicial plan with 20 or more years of service and members age 65 or older with ten or more years of service do not contribute to the plan. Active members of the Highway plan contribute 6% of their salaries. None of the aforementioned plans has investments of any commercial or industrial organization whose market value equals 5% or more of the individual plan's net assets available for benefits.

The State's 1997 contribution to APERS represented 79.04% of total contributions required of all participating entities. Beginning with the 1997 fiscal year, the State no longer contributed to Teacher. As required by Act 1194 of 1995, the State has increased the local state supported school appropriations so that such retirement contributions will come directly from the school districts. Beginning in fiscal 1997, the contributions made by the school districts funded current year payroll.

The State's annual pension cost and net pension obligation to State Police for the current year is as follows (in thousands):

Annual required contribution	$ 6,924
Interest on net pension obligation	394
Adjustment to annual required contribution	(252)
Annual pension cost	7,066
Contributions made	(6,111)
Increase in net pension obligation	955
Net pension obligation, beginning of year	5,091
Net pension obligation, end of year	$ 6,046

The State has a net pension asset of approximately $10 million for Judicial at June 30, 1997. For Highway, the statutory contributions made by the State equaled the annual required contributions ("ARC") required by GASB 27 for each of the fiscal years that began between December 15, 1986 and June 30, 1996, and therefore the State has neither a transition asset or liability.

No pension liability exists for Teacher or APERS, as the State's contributions to each respective plan for the year ending June 30, 1997, was equal to the ARC.

NOTE 14: DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Section 457 of the Federal Internal Revenue Code and Act 669 of the 1975 General Assembly. The term "employee" means common law employees as well as individuals who are independent contractors of the State. The plan permits employees to defer a portion of their income until future years. The deferred compensation is not available to employees until termination, retirement, death, disability or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights (until paid or made available to the employee or his beneficiary) are solely the property and the rights of the employee (without being restricted to the provisions of benefits under the plan), subject only to the claims of the general creditors of the State. Participants' rights under the plan are the same as those of general creditors in an amount equal to the account value of the deferred account for each participant. The State has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The State Employees Insurance Advisory Committee, as plan administrator, believes that it is unlikely that the State will use the assets to satisfy the claims of general creditors in the future.

Assets are stated at market value and are approximately $131.5 million at June 30, 1997. The State plans to comply with the new requirements of internal revenue code section 457 subsection (g) issued in October 1997 by fiscal year end June 30, 2000.

NOTE 15: SEGMENT INFORMATION - ENTERPRISE FUND

Segment financial information for the State's enterprise fund is as follows (expressed in thousands):

Description	Workers' Compensation Commission
Operating revenues	$ 18,629
Depreciation	185
Operating loss	(37,852)
Operating transfers in	-
Operating transfers out	(409)
Operating grants	-
Net loss	(32,460)
Fixed asset additions	144
Net working capital	138,677
Total assets	155,137
Long-term liabilities payable from operating revenues	152,179
Fund deficit	(13,481)

NOTE 16: COMPONENT UNIT DISCLOSURES

The financial statements do not include the financial position or results of operations of foundations or other organizations affiliated with certain higher education institutions. Such organizations are separate nonprofit entities incorporated in the State. Their purpose is to assist affiliated higher education institutions in performing their work and services. Oversight of each organization is the responsibility of separate and independently elected boards of directors not otherwise affiliated with their respective higher education institutions. In carrying out their responsibilities, the boards of directors of the organizations employ management, form policy, and maintain fiscal accountability over funds administered by their respective organizations.

Condensed financial statements of discretely presented component units at June 30, 1997, are as follows (expressed in thousands):

	Arkansas Student Loan Authority	Arkansas Development Finance Authority	Total
Balance Sheet			
Assets			
Other Assets	$ 214,424	$ 1,746,909	$ 1,961,333
Fixed Assets (net)	52	400	452
Total Assets	$ 214,476	$ 1,747,309	$ 1,961,785
Liabilities			
Payables to Primary Government/Component Units	$ -	$ 3,261	$ 3,261
Other Liabilities	10,903	103,468	114,371
Special Obligation Bonds	-	1,415,270	1,415,270
Revenue Bonds	195,559	-	195,559
Total Liabilities	206,462	1,521,999	1,728,461
Fund Equity			
Contributed Capital	-	-	-
Retained Earnings	8,014	225,310	233,324
Total Equity	8,014	225,310	233,324
Total Liabilities and Equity	$ 214,476	$ 1,747,309	$ 1,961,785
Statement of Operations			
Operating Revenues	$ 14,879	$ 115,594	$ 130,473
Operating Expenses	(13,252)	(110,206)	(123,458)
Depreciation & Amortization	(487)	(3,204)	(3,691)
Operating Income	1,140	2,184	3,324
Non-Operating Revenues			
Operating Grants	-	38,976	38,976
Net Income	1,140	41,160	42,300
Equity-Beginning of Year	6,874	184,150	191,024
Equity-End of Year	$ 8,014	$ 225,310	$ 233,324

The above discretely presented component units of the State do not issue classified balance sheets and therefore information regarding current assets and current liabilities is unavailable.

NOTE 17: RISK MANAGEMENT PROGRAM

The following describes the risk management programs administered by the State. There have been no significant reductions in insurance coverage from the prior year.

Health and Life Plans

The State established the State Employees Insurance Advisory Committee (the "Committee") by Act 48 of 1972 and allowed the Committee to pursue self funding activities by Act 576 of 1975. The Committee provides comprehensive major medical care, prescription drug and life insurance (the "Plans") for employees of the State and its participating component units, as well as their dependents through the establishment of a variety of self-insured plans. The Committee also makes medical coverage available to retirees should they elect to continue such coverage at their own expense. The employee has the option of choosing among the various Plans. Coverage is funded by contributions from the State, participating component units and participating employees and retirees to the Plans. The Plans are administered by third parties who are responsible for the processing of claims and administration of cost containment.

The Plans pay most expenses that are medically necessary and eligible for coverage based on usual, customary and reasonable allowances. Claims are subject to specified annual deductible and co-payment requirements. The Plans are also subject to varying lifetime benefit maximums.

The Committee also acts as an intermediary for the public school employees' health insurance as offered by the various school districts throughout the State. In this capacity, the Committee received premium payments which are not included in the accompanying financial statements amounting to approximately $79 million during 1997. The Committee remits the premium payments to third party insurance companies who fully insure the public school employee group. The Committee provides prescription drug insurance to the public school employees and their dependents within the prescription drug plan offered to the employees of the State, its participating component units and their dependents. The Committee assumes risk of loss and is the predominant participant in the Plans. Premiums are funded through contributions from the school districts and the public school employees.

Basic term life insurance (death benefit) is provided to all State employees with varying amounts of coverage based on the classification of the employee. This basic coverage is provided at no cost to the employee and is funded by contributions from the State. Additional amounts of coverage are available to the employees, retirees and their dependents and the cost of such additional coverage is funded by employee contributions. The plan is administered by a third party who is responsible for processing of claims.

Claim liabilities for the Plans for the employees of the State and the prescription drug plan for the public school employees are based on actuarial estimates of the ultimate cost of claims that have been incurred (both reported and unreported) and are recorded in the general fund. An analysis of changes in aggregate liabilities for claims and claims adjustment expenses for the current and prior fiscal year, are as follows (expressed in thousands):

	1997	1996
Claim liability, beginning of year	$ 17,939	$ 12,010
Incurred claims	121,962	101,575
Claims payments	(120,988)	(95,646)
Claim liability, end of year	$ 18,913	$ 17,939

Risk Management Office

The State established the Risk Management Office in accordance with State law for the purpose of analyzing and making recommendations as to cost effective loss control and safety programs for the various State agencies. Accordingly, State agencies retain the ultimate decision authority over whether to purchase commercial insurance coverage for property losses.

For those State buildings covered by commercial insurance, the building and contents are generally insured for the full amount of losses subject to varying deductible amounts up to $25 thousand per occurrence. Losses arising from earthquake are subject to a $50 thousand per occurrence limit and a deductible of 2% of the building's value. Certain State agencies have chosen not to purchase commercial insurance on certain buildings and as such, losses are recorded as expenditures in the General Fund when paid.

The State does not purchase liability insurance coverage for claims arising from third party losses on State property as the State has sovereign immunity against such claims. Claims against the State for such losses are heard before the State Claims Commission.

For those State vehicles covered by commercial insurance, the vehicle is generally insured for the full amount of losses subject to varying deductible amounts. Also, such commercial insurance generally provides coverage against liability losses up to $65 thousand per occurrence. Certain State agencies have elected not to purchase commercial insurance for certain vehicles and losses on such vehicles are recorded as expenditures in the General Fund as paid. Liability losses arising from uninsured vehicles are heard and adjudicated by the State Claims Commission.

State Claims Commission

The State Claims Commission was established by State law to hear and adjudicate all claims against the State and its agencies and component units excluding those arising from workers' compensation law, employment security law and the acts of the various retirement plans. According to State law, only claims for actual damages are allowed. The Commission may authorize awards for actual damages up to $5 thousand without further approval while amounts exceeding $5 thousand must be approved by the State General Assembly. The claim liability is determined by review of pending claims and estimation of the ultimate cost to settle such claims and is recorded in the General Fund.

State Workers' Compensation Plans

The State's Workers' Compensation Program (the "Program") was created by State law to provide benefits to State employees injured on the job. All employees of the State and its component units are included in the Program. Prior to July 1, 1994, employees of State sponsored school districts in the State were also included in the plan and the State continues to pay benefits to those employees injured prior to that date. An injury is covered under workers' compensation if it is caused by an accident that arose out of and in the course of employment. Losses payable by the Program include medical claims, loss of wages, disability and death benefits.

The Program is self-insured and is administered by the Public Employees Claims Division of the State Insurance Department. Each State agency is responsible for contributing to the Program each year an amount determined by the division based on past claims experience. The State's liability for claims at June 30, 1997, including claims incurred but not reported, is estimated to be $67 million and is recorded in the General Long-Term Debt Account Group.

The State also provides two forms of loss protection to employers and insurance companies operating in the state to minimize worker's compensation claims paid for wage losses. The first such plan was created by State law and is known as the Death & Permanent Total Disability Trust Fund ("Disability Trust Fund"). The Disability Trust Fund pays wage loss benefits in excess of $75 thousand per case. The employer's primary insurer is responsible for the first $75 thousand per case. The Disability Trust Fund is funded by taxes assessed on workers' compensation premiums earned by insurance companies operating in the state

and by assessments on self-insured employers as if they were commercially insured. The liability of the Disability Trust Fund at June 30, 1997, is based on actuarial estimates of ultimate claim costs, for both reported and unreported claims, discounted at 5% and is recorded in the Workers' Compensation Commission Enterprise Fund.

The second such plan was created by State law and is known as the Second Injury Trust Fund. The Second Injury Trust Fund generally pays wage loss benefits for persons which experience a repeated injury of the same body part while employed by a different employer than that which he experienced the first injury. The purpose of the Second Injury Trust Fund is to encourage the employment of persons who have previously filed workers' compensation claims by protecting subsequent employers from wage loss claims arising from repeat injuries. The Second Injury Trust Fund is funded by taxes assessed on workers' compensation premiums earned by insurance companies operating in the state and by assessments on self-insured employers as if they were commercially insured. The claim liability is estimated by discounting at 5% the expected future claim payments of reported claims and is recorded in the Workers' Compensation Commission Enterprise Fund.

The Disability Trust Fund and the Second Injury Trust Fund are administered by the Workers' Compensation Commission. Changes in the combined balance of the Disability Trust Fund and Second Injury Trust Fund during the current fiscal year are as follows (expressed in thousands):

	1997	1996
Claim liability, beginning of year	$ 112,478	$ 110,801
Incurred Claims	47,149	7,965
Claim Payments	(7,448)	(6,288)
Claim liability, end of year	$ 152,179	$ 112,478

During fiscal 1997, the Workers' Compensation Commission completed a review of its actuarial assumptions used in calculating the Disability Trust Fund liability. As a result of this review, the interest rate used to calculate the liability was reduced from 6% to 5% and a more conservative mortality table was implemented. The effect of this change in estimate increased current year claims by approximately $30 million.

Petroleum Storage Tank Trust Fund

The Petroleum Storage Tank Trust Fund ("Storage Tank Fund") was established according to State law to provide owners and operators of petroleum storage tanks in the State protection from losses associated with accidental releases from qualified storage tanks. In order for a storage tank to qualify under the Storage Tank Fund it must be registered with all fees paid and meet certain construction and spill protection and detection standards at the time of the release. The Storage Tank Fund will pay first party claims for corrective action up to $1 million per occurrence with a $25 thousand deductible as well as third party claims for damages up to $1 million per occurrence with a $25 thousand deductible. The Storage Tank Fund is funded by motor fuel taxes and fees paid by storage tank owners and operators. The first party claim liability is determined through the use of engineering estimates of the remaining corrective action for each site. The third party claim liability is estimated at the plan limits for each third party claim filed until actual damages are determined and is recorded in the General Fund.

Changes in the balance of the Storage Tank Fund claim liability during the current fiscal year are as follows (expressed in thousands):

	1997	1996
Claim liability, beginning of year	$ 7,761	$ 7,579
Incurred Claims	3,016	1,848
Claim Payments	(1,305)	(1,666)
Claim liability, end of year	$ 9,472	$ 7,761

Higher Education Health Plans

The University of Arkansas System ("University") and Arkansas State University ("ASU") sponsor self-funded health plans for employees and their eligible dependents. All five University campuses, all ASU campuses, state-wide operating units of the Arkansas Archeological Survey and Division of Agriculture, System Administration and the University Foundation participate in the health insurance programs which are administered by third parties who are responsible for the processing of claims and administration of cost containment.

The universities pay a portion of the total premium for full time active employees, while retirees and former employees, participate on a fully contributory basis.

Changes in the balance of the University and ASU claim liability during the current fiscal year are as follows (expressed in thousands):

	1997	1996
Claim liability, beginning of year	$ 8,871	$ 7,275
Incurred Claims	33,938	40,713
Claim Payments	(36,746)	(39,117)
Claim liability, end of year	$ 6,063	$ 8,871

The universities purchase specific reinsurance to reduce their exposure on large claims. Under the specific arrangement, the reinsurance carrier pays for claims for covered individuals which exceed specified limits. Such limits are $250 thousand and $100 thousand for the University and ASU, respectively.

The plans have not purchased any annuity contracts on behalf of claimants.

NOTE 18: COMMITMENTS AND CONTINGENCIES

Primary Government -

Litigation - The State, its agencies and employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged inmate wrongs, other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of state law and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State, but remained unpaid by the State as of the balance sheet date. The State has accrued liabilities in the approximate amount of $19.4 million for the payment of such claims. For other cases which it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate the liability to be approximately $54.6 million.

The State is also involved in two federal school desegregation lawsuits. The State has accrued approximately $4.3 million for the settlement of these suits.

In December 1996, University of Arkansas for Medical Sciences ("UAMS") was notified that it was the subject of a review being conducted by the United States Department of Health and Human Services Office of Inspector General ("OIG"), under its Physicians at Teaching Hospitals ("PATH") initiative. This program was initiated by the OIG with the intention of covering all teaching hospitals in the United States. The program is focused on Medicare billing procedures relative to teaching physicians. UAMS has had initial meetings with the OIG and furnished certain information requested. Elsewhere in the United States, the OIG has settled with teaching hospitals for amounts considerably in excess of $1,000,000 and has found at least one teaching hospital to be without liability. UAMS management believes that its billing practices comply with all applicable laws and regulations and that the PATH initiative will not have a material adverse effect on the financial position of UAMS.

It is not possible to predict with certainty or exactitude the ultimate outcome of all lawsuits pending or threatened against the State, including those discussed above. Based on the current status of all of these legal proceedings for which accruals have not been made in the State's financial statements, it is the opinion of management and the Attorney General that the proceedings will not have a material adverse impact on the State's financial position.

Federal Grants - The State, including its institutions of higher education, receives significant financial assistance from the U.S. Government in the form of grants and federal revenue sharing entitlements. Entitlement to those resources is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits under either the Federal Single Audit Act or by grantor agencies of the Federal Government or their designees. At June 30, 1997, for those federal grants which it is reasonably possible that a disallowance will occur and the amount of the potential disallowance can be reasonably estimated, the State estimates the liability to be approximately $4.5 million.

Loan Forgiveness - Under the provisions of the Pulaski County Desegregation Settlement Agreement, the State agreed to provide loans to the Little Rock School District ("LRSD"). If the composite test scores of the LRSD minority students reach a specified level before December 1, 2001, any outstanding loan balance will be forgiven. The standard by which the test scores will be measured has yet to be determined by the parties. As of June 30, 1997, the State's loan receivable is $15 million and is recorded in the General Fund.

Construction and Other Commitments - At June 30, 1997, the State has commitments of approximately $652.1 million for construction and other contracts. Teacher has also extended lines of credit in the amount of $5 million to ADFA, of which approximately $3.9 million was unused at June 30, 1997.

Bond Guarantees - The AIDC Bond Reserve Guaranty Fund is used to guarantee amortization on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 1997, total bonds guaranteed by the AIDC Bond Guaranty Reserve Fund was approximately $43.3 million.

Claims Incurred but not Reported - The State has established a liability for both reported and unreported insured events, which includes estimates of future payments of claims and related claim adjustment expenses, based on the estimated ultimate cost of settling claims. In estimating its liability for incurred but unpaid claims, the State considers prior experience, industry information and currently recognized trends affecting data specific to the State. Because actual claim costs depend upon such factors as duration of worker disability, medical cost trends, occupational disease and inflation, the process used in computing the ultimate cost of settling claims and expense for administering claims is necessarily based on estimates.

Compensated Absences - State employees earn vacation leave benefits on the basis of length of service time. Subject to certain restrictions, state employees are compensated for unused vacation time upon leaving the State's employment. Unused vacation time is accrued in the General Long-Term Debt Account Group.

Component Units -

Arbitrage Rebates - The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. ASLA has made a provision for revenues above the rebate limit which must be remitted to the Federal Government.

NOTE 19: SUBSEQUENT EVENTS

Primary Government -

Subsequent to June 30, 1997, the Governor appointed a task force to investigate the administration of federal grants received by the State and contracts and leases between the State and insiders of state government. Also, the Federal Bureau of Investigation has served subpoenas and search warrants on several Child Support Enforcement Agency contractors. Management does not believe that the results of these investigations will have a material adverse impact on the State's financial position.

On September 1, 1997, the Arkansas Development Finance Authority issued, on behalf of the State, College Savings General Obligation Bonds, Series 1997B, in the amount of $30 million. The bonds are being issued to finance the development of capital improvement projects of State institutions of higher education.

On October 15, 1997, the University of Arkansas at Fayetteville issued $20.8 million Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus), Series 1997. The bonds are being issued for the purpose of financing certain capital improvements on the Fayetteville campus of the University of Arkansas.

On November 1, 1997, the Soil and Water Conservation Commission issued, on behalf of the State, Water Resources Development General Obligation Bonds, Series 1997B, in the amount of $14.7 million. The bonds are being issued to provide financing for the development of water resources projects in the State.

On November 1, 1997, the Soil and Water Conservation Commission issued, on behalf of the State, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds, Series 1997A, in the amount of $5 million. The bonds are being issued to provide financing for the development of waste disposal and pollution abatement facilities in the State of Arkansas.

On November 1, 1997, the University of Arkansas at Fayetteville issued $19.3 million Board of Trustees of the University of Arkansas Athletic Facilities Revenue Refunding Bonds (Fayetteville Campus), Series 1997. The bonds are being issued for the purpose of providing the funds necessary to defease and refund the Board of Trustees' Athletic Facilities Revenue Bonds (Fayetteville Campus), Series 1991, which were issued to construct and equip Walton Arena and related facilities at the University of Arkansas at Fayetteville.

Component Units -

On July 8, August 20 and October 9, 1997, ADFA issued approximately $150.5 million of additional Single Family Bonds, with interest rates ranging from 3.9% to 6.5% and final maturities from July 1, 1998 to July 1, 2030.

On July 15, July 30, September 3 and September 23, ADFA issued approximately $45.4 million of additional Economic Development Bonds, with interest rates ranging from 3.8% to 5.3% and final maturities from January 1, 1998 to January 1, 2018.

On September 30, October 9, November 5, November 15 and November 18, ADFA retired approximately $81.4 million of Single Family Bonds using proceeds from loan prepayments, excess revenues and excess reserves.

In September 1997, ASLA issued $35 million in adjustable rate Student Loan Revenue Refunding Bonds, Series 1997A and $13.6 million in fixed rate Student Loan Revenue Refunding Bonds, Series 1997B to be used for the purposes of refunding certain obligations of ADFA and for acquiring and originating eligible loans.

* * * * * *

Required Supplementary Information
Schedule of Funding Progress
(Expressed in Thousands)

Fiscal Year	Plan	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL (Overfunded) as a Percentage of Covered Payroll
1997	Judicial	6/30/97	$ 63,285	$ 65,657	$ 2,372	96.4 %	$ 12,422	19.1 %
	Teachers	6/30/97	4,955,718	5,403,073	447,355	91.7 %	1,302,186	34.4 %
	State Police	6/30/97	164,660	190,728	26,068	86.3 %	18,178	143.4 %
	Highway	6/30/97	580,316	605,100	24,784	95.9 %	112,266	22.1 %
	APERS	6/30/97	2,875,860	2,607,016	(268,844)	110.3 %	938,772	(28.6)%
1996	Judicial	6/30/96	$ 51,478	$ 63,452	$ 11,974	81.1 %	$ 11,714	102.2 %
	Teachers	6/30/96	4,156,000	4,635,000	449,000	89.7 %	1,260,000	35.6 %
	State Police	6/30/96	149,150	180,496	31,346	82.6 %	18,708	167.6 %
	Highway	6/30/96	526,400	550,900	24,500	95.6 %	107,600	22.8 %
	APERS	6/30/96	2,521,000	2,290,000	(231,000)	110.1 %	883,000	(26.2)%

Note that years previous to 1996 are not shown because such information is not available in accordance with the parameters of GASB 27.

Required Supplementary Information
Schedule of Employer Contributions
(Expressed in Thousands)

Fiscal Year	Plan	Annual Required Contribution	Percentage Contributed
1997	Teacher	$153,546	100 %
	APERS	82,051	100 %
1996	Teacher	$ 15,703	100 %
	APERS	76,730	100 %
1995	Teacher	$139,796	100 %
	APERS	74,906	100 %

Note to Required Supplementary Information

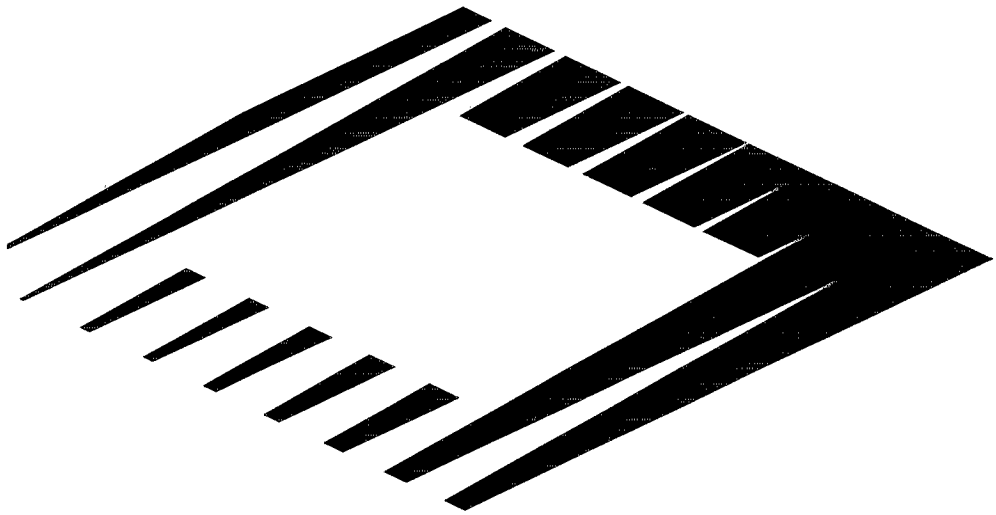
Actuarial Assumptions - The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	Judicial	Teacher	State Police	Highway	APERS
Actuarial valuation date	June 30, 1997	June 30, 1997	June 30, 1997	June 30, 1997	June 30, 1997
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed	Level Percentage of Pay, Open	Level Percentage of Pay, Open	Level Percentage of Pay, Open	Level Percentage of Pay, Open
Remaining amortization period	16 years	12 years	25 years	3.9 years	30 years
Asset valuation method	4 Year Smoothed Market	4 Year Smoothed Market	4 Year Smoothed Market	5 Year Smoothed Market	4 Year Smoothed Market
Actuarial assumptions:					
Inflation rate	5.00 %	5.00 %	4.75 %	4.50 %	4.75 %
Investment rate of return*	7.50 %	8.00 %	7.75 %	8.00 %	7.75 %
Projected salary increases*	5 to 7.2%	5 to 8.8%	5.75 to 9.55%	5 to 11%	4.91 to 8.59%
Post retirement benefit increases	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %

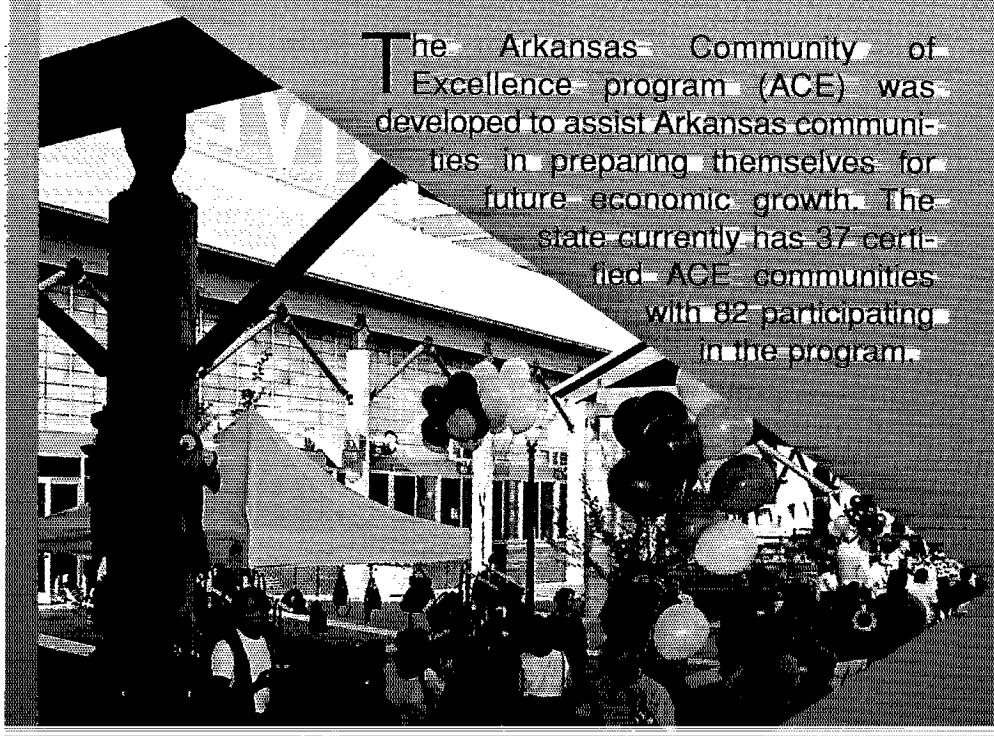
*Includes assumed inflation.

Financial Section – Combining Financial Statements & Schedules

Through its JumpStart Program, Arkansas provides pre-employment and on-the-job training for newly locating or expanding companies. Through the program employees are recruited and pre-trained to a company's customized specifications.



Trust & Agency Funds



The Arkansas Community of Excellence program (ACE) was developed to assist Arkansas communities in preparing themselves for future economic growth. The state currently has 37 certified ACE communities with 82 participating in the program.

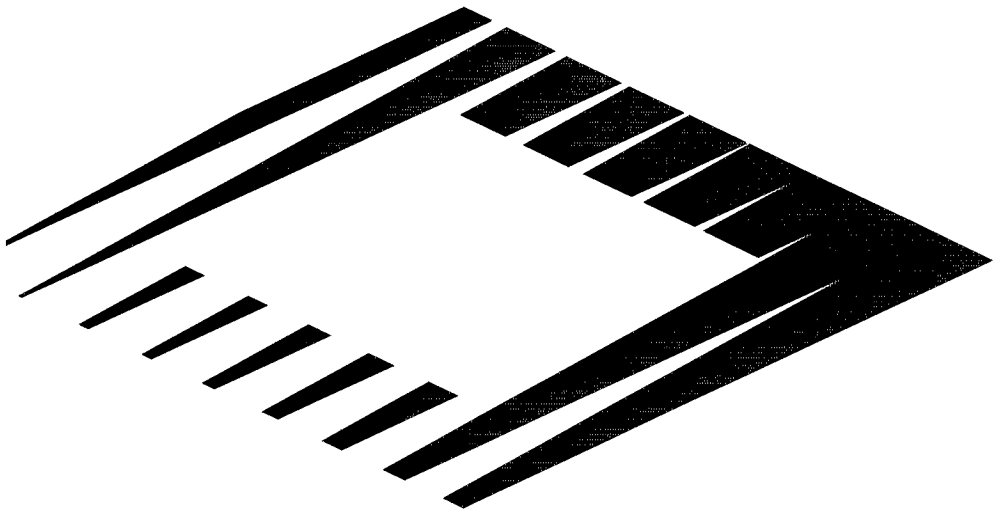
TRUST AND AGENCY FUNDS

Trust and agency funds are used to account for assets held by the State in a fiduciary capacity or as an agent for individuals, private organizations, or other governments and/or funds. The trust and agency funds consist of the following:

Expendable Trust Fund - This fund is accounted for in essentially the same manner as governmental funds and is the fund administered by the Arkansas Employment Security Division. The fund receives contributions from employers and provides for the payment of benefits to eligible unemployed workers.

Pension Trust Fund - This Fund is accounted for in essentially the same manner as proprietary funds, and includes Judicial, Teacher, State Police, Highway and APERS retirement plans.

Agency Funds - These funds are custodial in nature and do not involve measurement of operations. Included in these funds are assets held by the Insurance Department, Deferred Compensation and various other state agencies.



Trust and Agency Funds
Combining Balance Sheet

June 30, 1997
(Expressed in Thousands)

	Expendable Trust	Pension Trust		
	Employment Security Division	Judicial	Teacher	State Police
ASSETS:				
Cash and cash equivalents	$207,866	$ 1,735	$1,376,887	$ 36,432
Investments		69,533	5,511,210	201,891
Receivables, net:				
Accounts	47,795		24	
Employer		159	4,342	170
Employee			4,526	
Investment related		447	46,111	6,714
Due from other governments	3,371			
Due from other funds - primary government			18,893	
Advances to other funds - primary government			24,825	
Advances to component units			1,096	
Fixed assets, net			634	
Other assets				
TOTAL ASSETS	$259,032	$71,874	$6,988,548	$245,207
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable		$ 22		$ 197
Accrued and other liabilities	$ 39,784		$1,241,061	72,301
Due to other governments				
Agency liabilities				
Total Liabilities	39,784	22	1,241,061	72,498
Fund balance:				
Reserved for unemployment compensation	219,248			
Reserved for employee pension benefits		71,852	5,747,487	172,709
Total Fund Balance	219,248	71,852	5,747,487	172,709
TOTAL LIABILITIES AND FUND BALANCE	$259,032	$71,874	$6,988,548	$245,207

		Agency Funds			
Highway	APERS	Insurance Department	Deferred Compensation	Other Agencies	Total
$ 12,214	$ 263,958	$ 27,597		$24,083	$ 1,950,772
609,532	3,510,620	391,749	$131,455	1,427	10,427,417
					47,819
576	4,418				9,665
83					4,609
6,689	32,086				92,047
				93	3,464
					18,893
					24,825
					1,096
	217				851
2	7,511				7,513
$629,096	$3,818,810	$419,346	$131,455	$25,603	$12,588,971
					$ 219
$ 37	$ 673,946				2,027,129
				$ 22	22
		$419,346	$131,455	25,581	576,382
37	673,946	419,346	131,455	25,603	2,603,752
					219,248
629,059	3,144,864				9,765,971
629,059	3,144,864				9,985,219
$629,096	$3,818,810	$419,346	$131,455	$25,603	$12,588,971

Pension Trust Funds
Combining Statement of Changes in Plan Net Assets Held in Trust for Pension Benefits

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Judicial	Teacher	State Police	Highway	APERS	Total
ADDITIONS:						
Contributions:						
Employer	$ 5,381	$ 153,546	$ 6,111	$ 14,851	$ 82,051	$ 261,940
Employee	618	40,215		7,000	535	48,368
Total Contributions	5,999	193,761	6,111	21,851	82,586	310,308
Investment income:						
Net appreciation in fair value of investments	8,188	837,563	13,997	46,826	296,956	1,203,530
Interest	2,161	117,123	5,754	23,594	94,509	243,141
Dividends	265	56,422	1,735	1,743	20,267	80,432
Real estate operating income		1,630				1,630
Other		51,058	2,782	693	26,654	81,187
Less investment expense	(102)	(60,844)	(3,534)	(1,275)	(36,263)	(102,018)
Net Investment Income	10,512	1,002,952	20,734	71,581	402,123	1,507,902
Other additions - Miscellaneous revenues		522	66		7,848	8,436
TOTAL ADDITIONS	16,511	1,197,235	26,911	93,432	492,557	1,826,646
DEDUCTIONS:						
Annuity benefits	2,997	191,718	6,308	23,578	82,558	307,159
Refunds of employee contributions	28	3,933		902	1,011	5,874
Administrative expenses	32	3,706	52		3,771	7,561
Other deductions				3,134		3,134
TOTAL DEDUCTIONS	3,057	199,357	6,360	27,614	87,340	323,728
NET INCREASE	13,454	997,878	20,551	65,818	405,217	1,502,918
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT BEGINNING OF YEAR	58,398	4,749,609	152,158	563,241	2,739,647	8,263,053
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT END OF YEAR	$71,852	$5,747,487	$172,709	$629,059	$3,144,864	$9,765,971

Pension Trust Funds
Statement of Net Plan Assets

June 30, 1997
(Expressed in Thousands)

	Judicial	Teacher	State Police	Highway	APERS
ASSETS					
Cash and cash equivalents	$ 1,735	$1,376,887	$ 36,432	$ 12,214	$ 263,958
Investments	69,533	5,511,210	201,891	609,532	3,510,620
Receivables, net:					
Accounts		24			
Employer	159	4,342	170	576	4,418
Employee		4,526		83	
Investment related	447	46,111	6,714	6,689	32,086
Due from other funds - primary government		18,893			
Advances to other funds - primary government		24,825			
Advances to component units		1,096			
Fixed Assets, net		634			217
Other Assets				2	7,511
Total Assets	71,874	6,988,548	245,207	629,096	3,818,810
LIABILITIES					
Accounts payable	22		197		
Accrued and other liabilities		1,241,061	72,301	37	673,946
Total liabilities	22	1,241,061	72,498	37	673,946
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$71,852	$5,747,487	$172,709	$629,059	$3,144,864

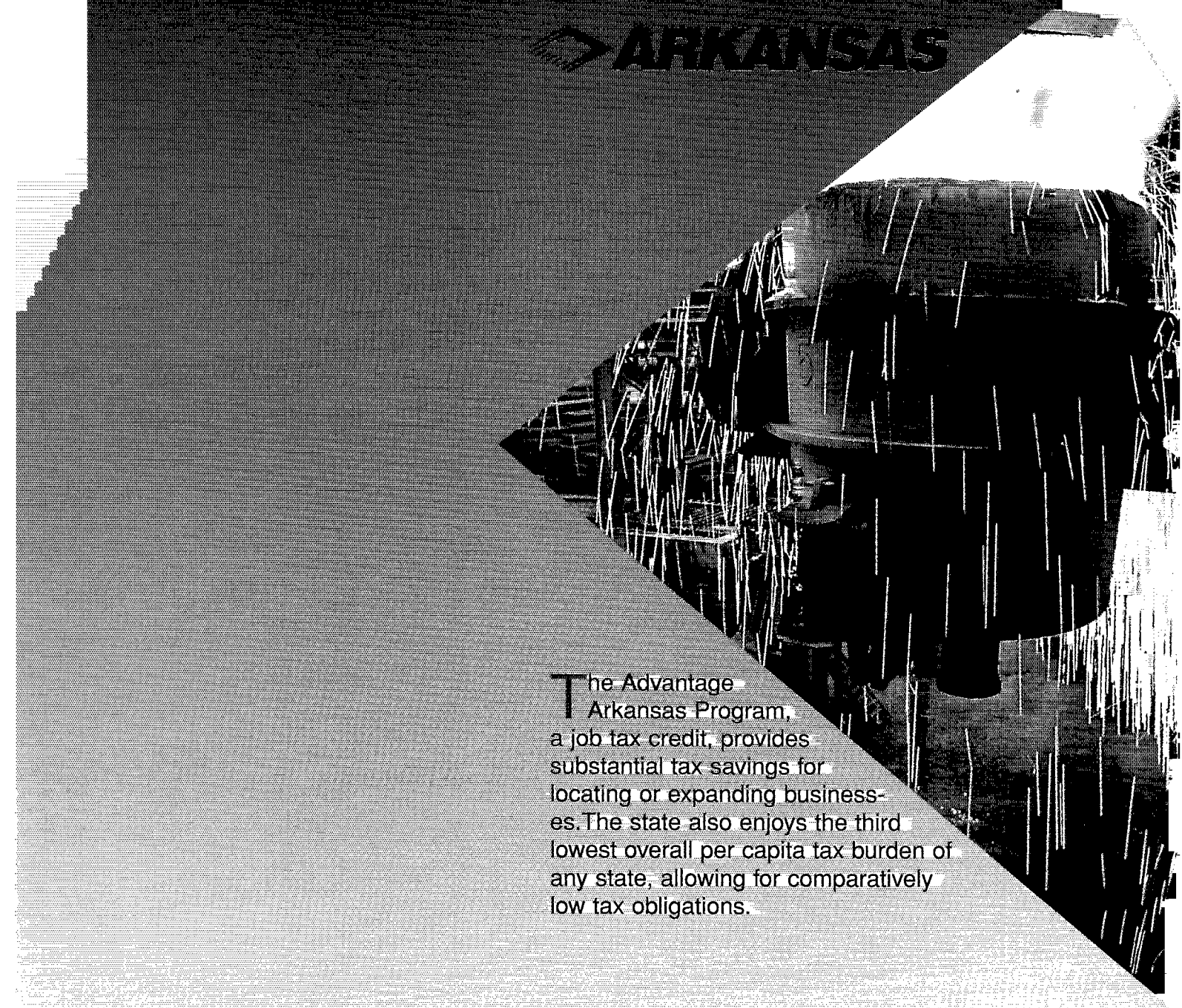
Agency Funds
Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Balance June 30, 1996	Additions	Deductions	Balance June 30, 1997
INSURANCE DEPARTMENT:				
Assets:				
Cash and cash equivalents	$ 21,824	$ 6,779	$ 1,006	$ 27,597
Investments	385,217	19,139	12,607	391,749
TOTAL	$407,041	$ 25,918	$ 13,613	$419,346
Liabilities -				
Agency liabilities	$407,041	$ 25,918	$ 13,613	$419,346
DEFERRED COMPENSATION:				
Assets -				
Investments	$111,116	$ 30,962	$ 10,623	$131,455
Liabilities -				
Agency liabilities	$111,116	$ 30,962	$ 10,623	$131,455
OTHER AGENCIES:				
Assets:				
Cash and cash equivalents	$ 27,961	$1,922,467	$1,926,345	$ 24,083
Investments	1,579	11	163	1,427
Due from other funds - primary government	88	93	88	93
TOTAL	$ 29,628	$1,922,571	$1,926,596	$ 25,603
Liabilities:				
Due to other governments	$ 12	$ 10		$ 22
Due to other funds - primary government	25	7	$ 32	
Agency liabilities	29,591	1,922,554	1,926,564	25,581
TOTAL	$ 29,628	$1,922,571	$1,926,596	$ 25,603

Higher Education Fund

ARKANSAS



The Advantage Arkansas Program, a job tax credit, provides substantial tax savings for locating or expanding businesses. The state also enjoys the third lowest overall per capita tax burden of any state, allowing for comparatively low tax obligations.

Higher Education Fund

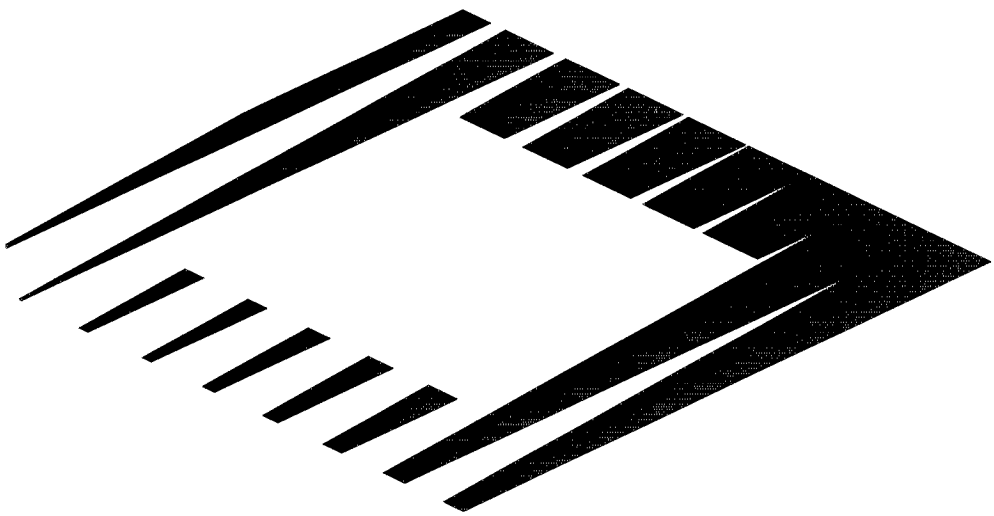
State Board of Higher Education - The State Board of Higher Education is empowered with the duty to determine, control, supervise and manage the financial, business and educational policies and affairs of the state institutions of Higher Education under its jurisdiction. These institutions are as follows:

State Colleges and Universities:

Four Year:
- University of Arkansas System
- Regional Campuses of University of Arkansas:
  - University of Arkansas at Fayetteville
  - University of Arkansas at Little Rock
  - University of Arkansas at Monticello
  - University of Arkansas at Pine Bluff
- Specialized Institutions:
  - University of Arkansas School of Law
  - University of Arkansas for Medical Sciences
- Arkansas State University
- Arkansas Tech University
- Henderson State University
- Southern Arkansas University
- University of Central Arkansas

Community Colleges:
- East Arkansas Community College
- Garland County Community College
- Mississippi County Community College
- North Arkansas Community Technical College
- Northwest Arkansas Community College
- Phillips Community College
- Rich Mountain Community College
- Westark Community College
- South Arkansas Community College

Two Year Branches:
- South Arkansas University - Tech
- Arkansas State University - Beebe
- Arkansas State University - Mountain Home
- Black River Technical College
- Cossatot Technical College
- Ozarka Technical College
- Petit Jean Technical College
- Ouachita Technical College
- University of Arkansas Community College at Hope
- Gateway Technical College
- Mid-South Technical College
- Southeast Arkansas Technical College
- Pulaski Technical College

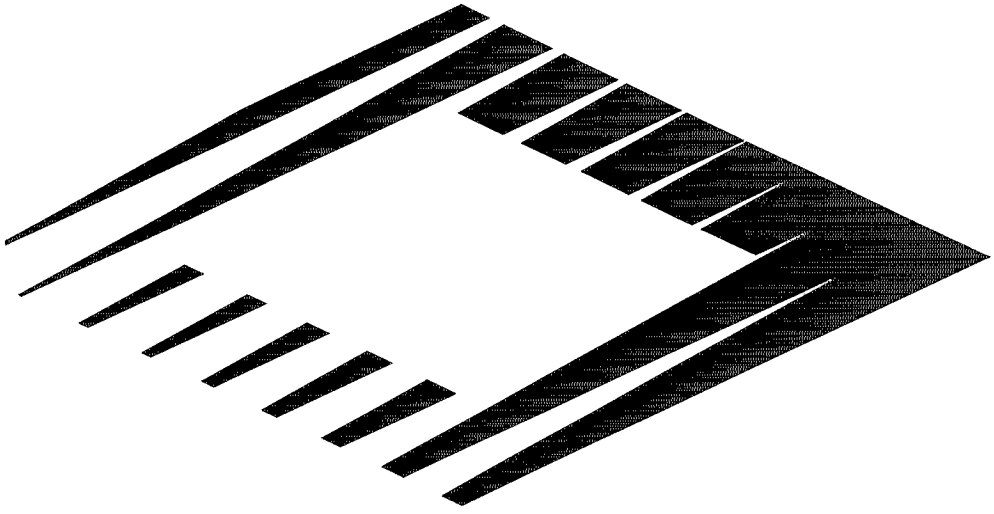


Higher Education Fund
Combining Balance Sheet

June 30, 1997
(Expressed in Thousands)

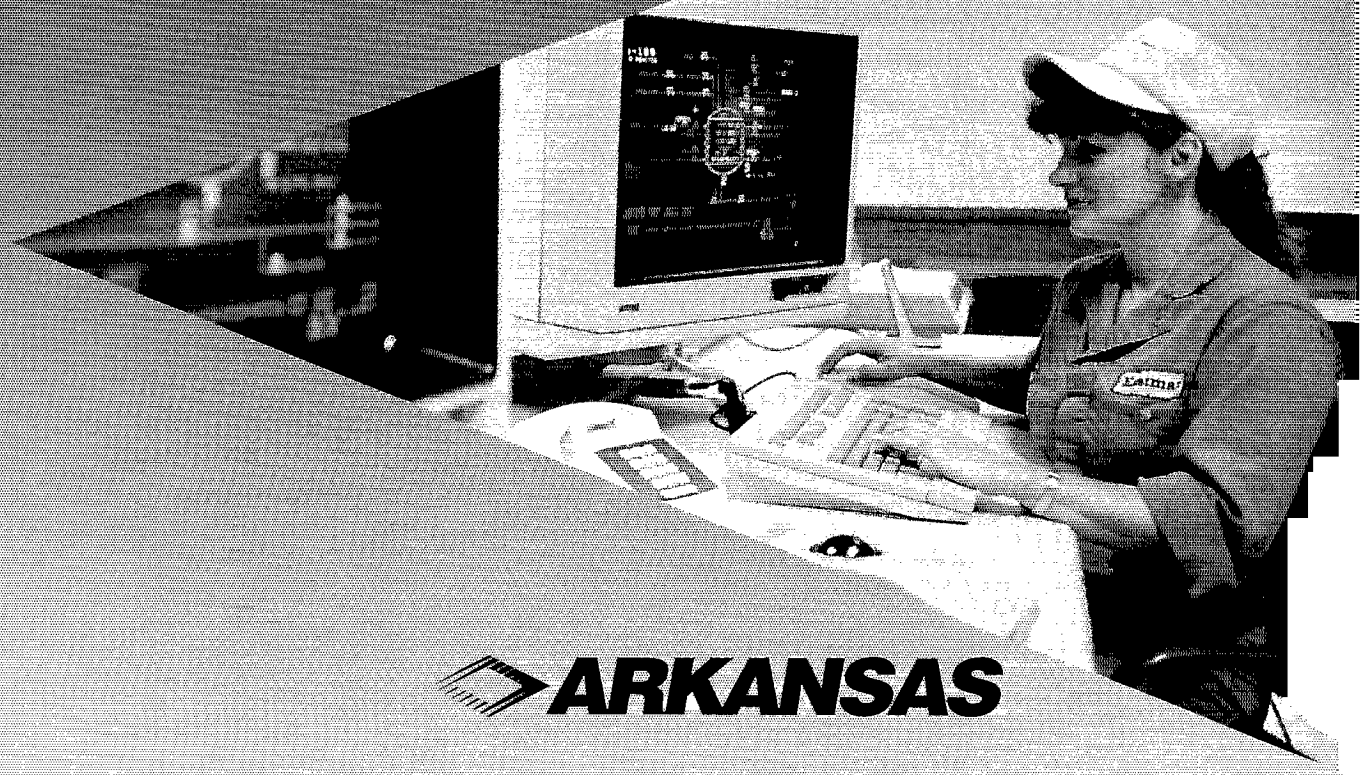
	Current Funds			
	Unrestricted	Restricted	Loan	Endowment and Similar
ASSETS:				
Cash and cash equivalents	$103,823	$ 9,893	$ 1,764	$ 4,024
Investments	57,328	16,889	3,091	76,364
Receivables, net:				
Accounts	85,508	19,308	6,973	14
Notes and deposits	226	60	33,785	
Investment related	517	5	744	82
Due from other funds - primary government	3,642			
Due from other funds - higher education	5,569	7		116
Inventories	15,628	42		
Fixed assets, net				766
Other assets	8,613	697	33	1
TOTAL ASSETS	$280,854	$46,901	$46,390	$81,367
LIABILITIES, EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts payable	$ 41,481	$ 2,510	$ 186	$ 60
Accrued and other liabilities	49,310	1,412		633
Deferred revenues	9,196	1,301		
Due to other funds - primary government	507			
Due to other funds - higher education	5,754	3,767	8	90
Advances from other funds				
Notes payable				
Revenue bonds				
Capital leases				
Total liabilities	106,248	8,990	194	783
Equity and other credits:				
Net investment in fixed assets				
Fund balance:				
Reserved for:				
General	51	37,911		
Student loans			46,196	
Endowment				80,584
Renewals and replacements				
Retirement of indebtedness				
Unreserved	174,555			
Total equity and other credits	174,606	37,911	46,196	80,584
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	$280,854	$46,901	$46,390	$81,367

Plant Funds	Agency Fund	Total
$ 143,443	$2,518	$ 265,465
89,714	665	244,051
7,196	354	119,353
3,044		37,115
217	1	1,566
		3,642
5,841	17	11,550
	112	15,782
1,754,147		1,754,913
2,597	14	11,955
$2,006,199	$3,681	$2,465,392
$ 7,977	$ 730	$ 52,944
3,036	2,929	57,320
		10,497
		507
1,909	22	11,550
17,082		17,082
22,744		22,744
271,419		271,419
7,607		7,607
331,774	3,681	451,670
1,462,729		1,462,729
119,065		157,027
		46,196
		80,584
22,323		22,323
24,116		24,116
46,192		220,747
1,674,425		2,013,722
$2,006,199	$3,681	$2,465,392



General Fixed Assets Account Group

Almost 70 percent of Arkansas' tax revenues are devoted to education, a funding commitment that is among the highest in the nation.



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GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is maintained to account for fixed assets acquired or constructed for use by the State for general governmental purposes. These include all fixed assets except those accounted for in the Proprietary, Fiduciary, Higher Education Funds and Component Units.

Schedule of General Fixed Assets by Source

June 30, 1997 (Expressed in Thousands)

General Fixed Assets:	
Land	$133,640
Buildings	535,401
Equipment	191,116
Construction in progress	45,411
Total General Fixed Assets	$905,568
Investment in General Fixed Assets by source:	
General fund	$894,088
Expendable Trust	11,480
Total Investment in General Fixed Assets	$905,568

Schedule of General Fixed Assets by Function and Activity

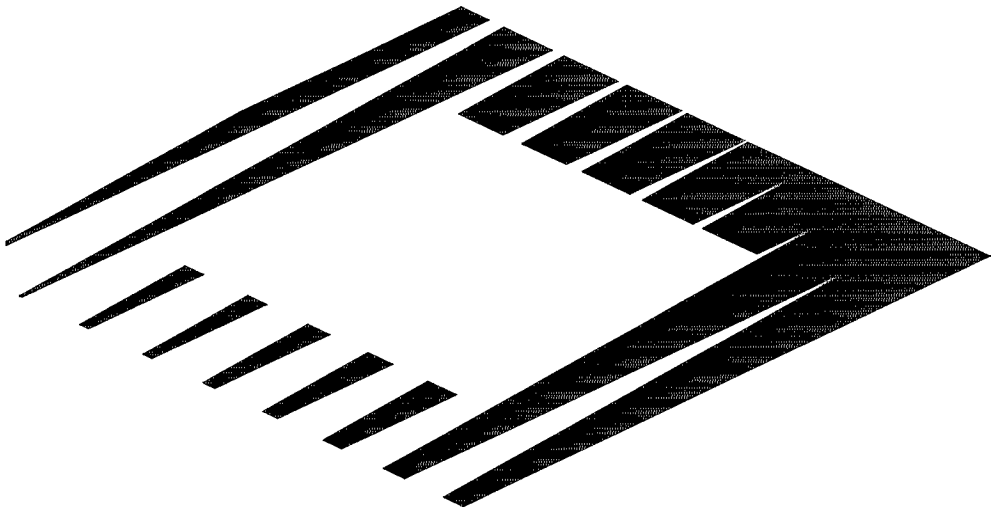
June 30, 1997 (Expressed in Thousands)

Function and Activity	Land	Buildings	Equipment	Construction in Progress	Total
Education	$ 960	$ 39,062	$ 13,430		$ 53,452
Health and human resources	4,171	128,717	15,619	$ 3,773	152,280
Transportation	875	51,199	74,616		126,690
Law, justice and public safety	28,544	204,244	45,031	31,144	308,963
Recreation and resource development	90,293	39,807	8,505	6,615	145,220
General government	8,797	65,767	23,035	3,054	100,653
Regulation of business and professionals		6,605	10,880	825	18,310
Total	$133,640	$535,401	$191,116	$45,411	$905,568

Schedule of Changes in General Fixed Assets by Function and Activity

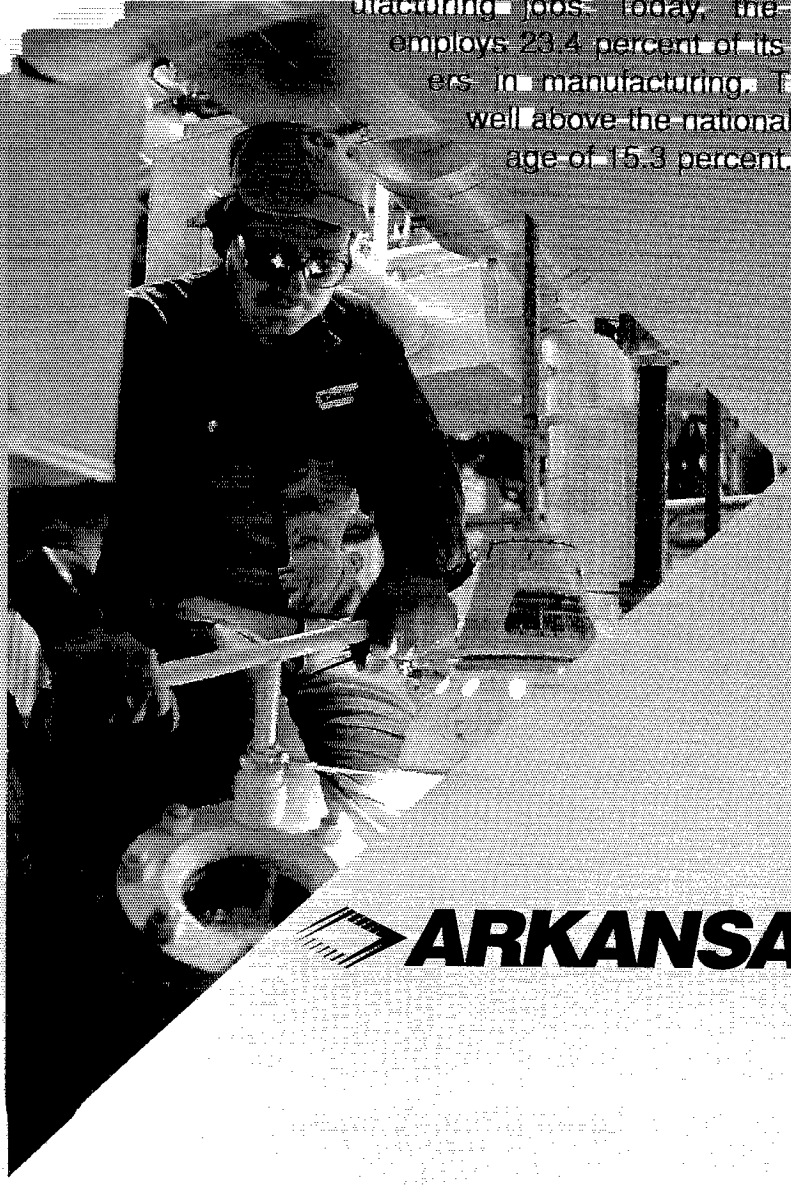
For the Fiscal Year Ended June 30, 1997 (Expressed in Thousands)

Function and Activity	Balance June 30, 1996 As Adjusted	Additions	Deletions	Balance June 30, 1997
Education	$ 53,458	$ 3,074	$ 3,080	$ 53,452
Health and human resources	142,829	11,480	2,029	152,280
Transportation	121,439	9,265	4,014	126,690
Law, justice and public safety	264,843	87,600	43,480	308,963
Recreation and resource development	134,493	11,732	1,005	145,220
General government	92,396	9,395	1,138	100,653
Regulation of business and professionals	17,447	2,874	2,011	18,310
Total	$826,905	$135,420	$56,757	$905,568



General Long-Term Debt Account Group

...s among the nation's lead-...s in the percentage share of man-ufacturing jobs. Today, the state employs 23.4 percent of its work-ers in manufacturing. This is well above the national aver-age of 15.3 percent.



ARKANSAS

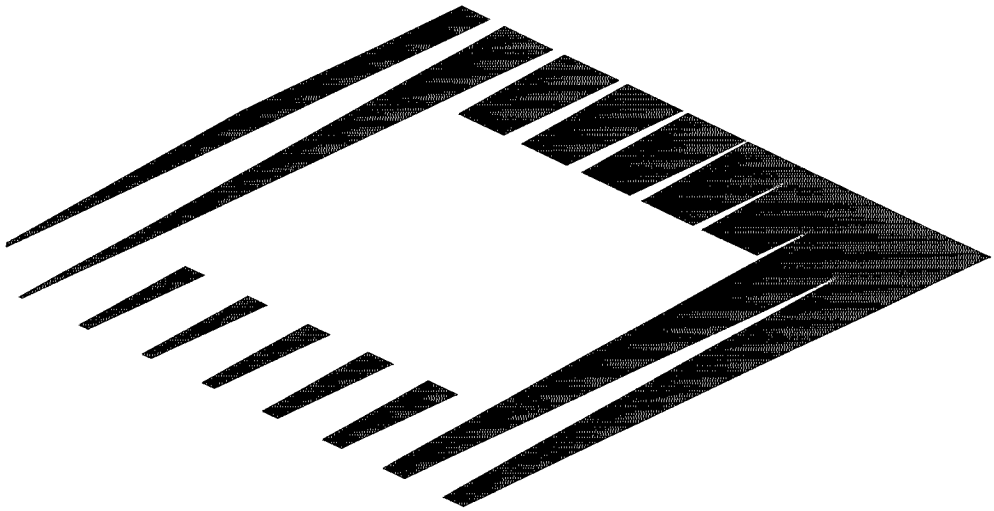
GENERAL LONG-TERM DEBT ACCOUNT GROUP

The General Long-Term Debt Account Group is maintained to account for the outstanding principal balances of the State's general obligation bonds, special obligation bonds, notes payable, other debt instruments, capital leases, claims and judgments payable in future years, accrued compensated absences and unfunded pension costs.

Schedule of Changes in Long-Term Debt

For The Year Ended June 30, 1997 (Expressed in Thousands)

	Balance June 30, 1996 As Adjusted	Debt Issued	Debt Paid	Other Changes	Balance June 30, 1997
General obligation bonds	$244,683	$ 74,999	$(29,129)	$ 8,548	$299,101
Special obligation bonds	12,790		(2,070)		10,720
Notes payable	25,039		(25,039)		
Other debt instruments	12,442		(3,819)		8,623
Capital leases	90,693	59,605	(22,956)		127,342
Claims and judgments	103,541			(5,065)	98,476
Compensated absences	65,348			4,483	69,831
Unfunded pension costs	5,091			955	6,046
Total	$559,627	$134,604	$(83,013)	$ 8,921	$620,139



Discretely Presented Component Units

Centrally located midway between Montreal and Mexico City, Arkansas is ideal for international trade. The state continues to internationalize its economy with 716 companies employing 61,334 persons exporting Arkansas-made products abroad.

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DISCRETELY PRESENTED COMPONENT UNITS

Component Units are those entities which are legally separate government organizations for which the State's elected officials are financially accountable, or other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading. Discretely Presented Component Units consist of the following:

Arkansas Student Loan Authority - ASLA provides guaranteed educational loans to Arkansas students attending eligible post secondary institutions, and serves as a secondary market and liquidity provider to Arkansas lending institutions which originate guaranteed student loans.

Arkansas Development Finance Authority - ADFA provides financing through the issuance of taxable and tax-exempt bonds for housing, industry, local governments, education, agricultural enterprise, health care, infrastructure projects, jails and prisons. ADFA also offers direct loans for housing, small minority businesses, agriculture and exporting.

Discretely Presented Component Units
Combining Balance Sheet

June 30, 1997
(Expressed in Thousands)

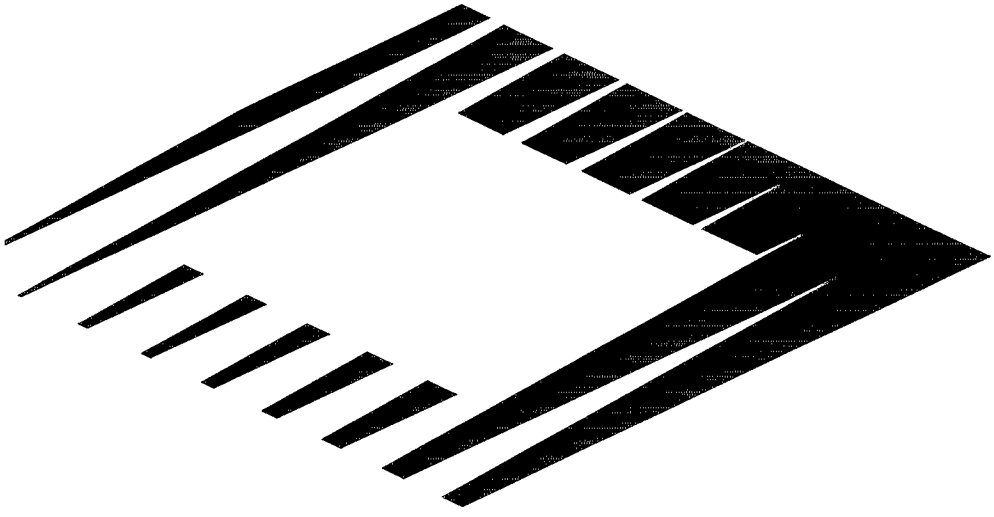
	Arkansas Student Loan Authority	Arkansas Development Finance Authority	Total
ASSETS:			
Cash and cash equivalents	$ 102	$ 114,354	$ 114,456
Investments	69,029	774,462	843,491
Receivables, net:			
Accounts		13,927	13,927
Loans	138,956	725,653	864,609
Investment related	2,405	11,373	13,778
Fixed assets, net	52	400	452
Other assets	3,932	107,140	111,072
TOTAL ASSETS	$ 214,476	$ 1,747,309	$ 1,961,785
LIABILITIES AND RETAINED EARNINGS:			
Liabilities:			
Accounts payable	$ 2,353	$ 43,445	$ 45,798
Accrued and other liabilities		60,023	60,023
Due to primary government		2,165	2,165
Advances from primary government		1,096	1,096
Special obligation bonds		1,415,270	1,415,270
Notes payable	8,550		8,550
Revenue bonds payable	195,559		195,559
Total Liabilities	206,462	1,521,999	1,728,461
Retained earnings - Unreserved	8,014	225,310	233,324
Total Retained Earnings	8,014	225,310	233,324
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 214,476	$ 1,747,309	$ 1,961,785

Discretely Presented Component Units
Combining Statement of Revenues, Expenses and Changes in Fund Equity
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Arkansas Student Loan Authority	Arkansas Development Finance Authority	Total
OPERATING REVENUES:			
Investment earnings	$ 14,039	$ 115,016	$ 129,055
Other	840	578	1,418
Total Operating Revenues	14,879	115,594	130,473
OPERATING EXPENSES:			
General and administration	2,313	13,935	16,248
Interest	10,355	99,475	109,830
Other	1,071		1,071
Total Operating Expenses	13,739	113,410	127,149
Operating Income	1,140	2,184	3,324
NON-OPERATING REVENUE -			
Grants, entitlements and shared revenues		38,976	38,976
Total Non-operating Revenue		38,976	38,976
NET INCOME	1,140	41,160	42,300
FUND EQUITY AT BEGINNING OF YEAR	6,874	184,150	191,024
FUND EQUITY AT END OF YEAR	$ 8,014	$ 225,310	$ 233,324

Discretely Presented Component Units
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	Arkansas Student Loan Authority	Arkansas Development Finance Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income	$ 1,140	$ 2,184	$ 3,324
Adjustments to reconcile operating income to cash provided (used) by operating activities:			
Depreciation, accretion and amortization, net	487	(9,912)	(9,425)
Provision for arbitrage rebate	191		191
Capital accretion		4,546	4,546
Loss on sale of assets		81	81
Changes in operating assets and liabilities:			
Accounts receivable		(2,985)	(2,985)
Loans receivable	(37,755)	18,861	(18,894)
Investment related	(400)	(2,445)	(2,845)
Other assets	(398)	(714)	(1,112)
Accounts payable and accrued expenses	(1,702)	16,266	14,564
Other liabilities		(1,223)	(1,223)
Net Cash (Used) Provided by Operating Activities	(38,437)	24,659	(13,778)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Proceeds from issuance of bonds		256,531	256,531
Repayment of bonds	(32,705)	(190,496)	(223,201)
Proceeds from notes payable	8,550		8,550
Payment of debt issuance costs	(43)	(3,109)	(3,152)
Collection of financing fees		4,500	4,500
Proceeds from grants, entitlements and shared revenues		38,976	38,976
Net Cash Provided (Used) by Non-capital Financing Activities	(24,198)	106,402	82,204
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital expenditures	(20)		(20)
Net Cash Used for Capital and Related Financing Activities	(20)		(20)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(27,119)	(600,620)	(627,739)
Proceeds from sales and maturities of investments	89,795	518,558	608,353
Investment in direct financing leases		(59,605)	(59,605)
Lease payments received		21,219	21,219
Net Cash Provided (Used) by Investing Activities	62,676	(120,448)	(57,772)
NET INCREASE IN CASH AND CASH EQUIVALENTS	21	10,613	10,634
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	81	103,741	103,822
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 102	$ 114,354	$ 114,456
SUPPLEMENTAL INFORMATION - Interest paid	$ 10,489	$ 89,706	$ 100,195



Statistical Section

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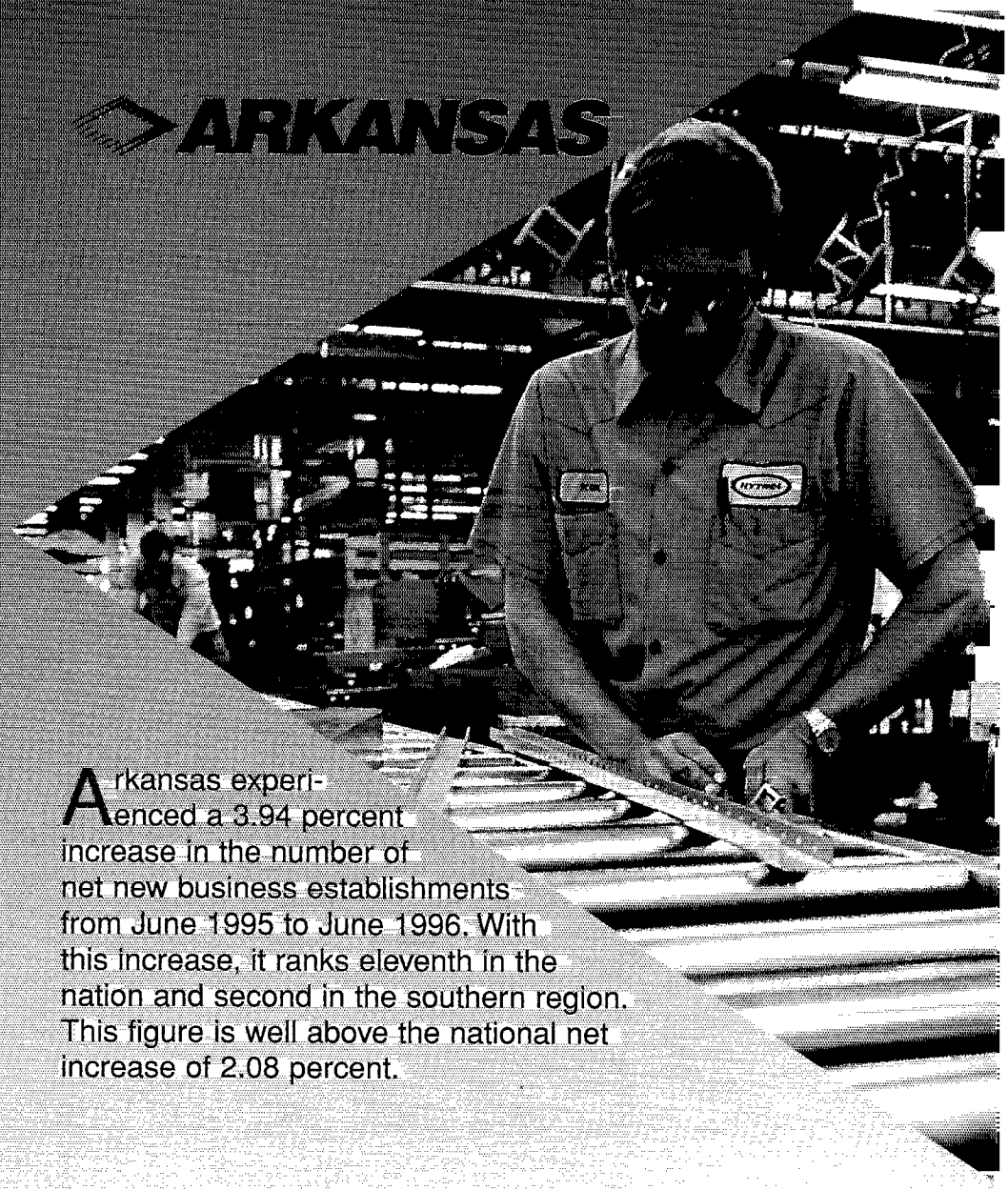

Arkansas experienced a 3.94 percent increase in the number of net new business establishments from June 1995 to June 1996. With this increase, it ranks eleventh in the nation and second in the southern region. This figure is well above the national net increase of 2.08 percent.

Table 1
Expenditures By Function
General Fund/Year Ended June 30
(Expressed in Thousands)

	1997	1996	1995	1994
Education	$1,812,291	$1,690,844	$1,629,154	$1,539,641
Health and human resources	2,437,633	2,297,385	2,067,465	2,834,720
Transportation	677,638	579,417	483,972	517,992
Law, justice and public safety	282,258	241,228	200,574	268,862
Recreation and resource development	163,937	178,519	150,509	132,716
General government	751,164	783,378	722,077	954,499
Regulation of business and professionals	147,064	130,339	126,415	95,751
Debt service	77,360	27,413	9,184	12,374
Capital outlay	184,003	94,874	73,812	6,984
Other				
Total Expenditures	$6,533,348	$6,023,397	$5,463,162	$6,363,539

NOTE: The expenditures for fiscal years 1994 through 1988 are shown on a cash basis.

Table 2
Revenues By Source
General Fund/Year Ended June 30
(Expressed in Thousands)

	1997	1996	1995	1994
Taxes:				
Personal income	$1,378,162	$1,328,615	$1,227,075	$1,117,530
Consumer sales	1,435,841	1,364,977	1,312,884	1,220,868
Corporate net income	236,538	259,056	214,712	204,027
Gas and motor carrier	355,586	353,598	348,296	334,691
Use				318,789
Other	312,704	407,647	328,390	306,335
Intergovernmental	2,335,367	2,213,786	1,990,879	1,731,468
Licenses, permits and fees	381,498	355,742	255,279	227,750
Investment earnings	68,888	66,033	48,931	25,483
Other	386,352	361,376	333,038	1,473,901
Total Revenues	$6,890,936	$6,710,830	$6,059,484	$6,960,842

NOTE: The revenues for fiscal years 1994 through 1988 are shown on a cash basis.

1993	1992	1991	1990	1989	1988
$1,415,624	$1,384,835	$1,228,314	$1,139,096	$1,505,722	$ 989,625
1,885,566	2,571,880	2,052,311	1,531,686	649,905	884,167
510,369	513,979	396,162	340,603	336,553	367,480
240,411	197,277	180,454	149,475	137,175	115,505
136,780	114,284	117,197	120,001	121,123	102,287
757,474	346,702	306,314	269,932	253,177	201,871
85,913	111,519	102,143	99,340	90,827	83,535
45,328	9,920				4,762
11,912					10,049
	4,324				57,295
$5,089,377	$5,254,720	$4,382,895	$3,650,133	$3,094,482	$2,816,576

1993	1992	1991	1990	1989	1988
$1,051,909	$ 970,883	$ 908,054	$ 843,986	$ 779,379	$ 702,117
1,429,880	1,039,540	890,592	843,226	804,420	668,091
177,368	152,218	134,812	149,570	131,522	126,351
315,540	349,881	228,985	228,083	249,679	309,716
					108,982
295,988	202,725	196,552	193,757	210,341	160,505
1,625,469	1,519,246	1,296,045	1,060,709	1,047,736	852,626
194,456	182,783	157,621	154,778	136,055	54,415
30,119	12,984	13,561	12,914	12,498	
366,649	1,413,874	1,019,139	645,273	264,693	418,798
$5,487,378	$5,844,134	$4,845,361	$4,132,296	$3,636,323	$3,401,601

Table 3
Ratio of Outstanding General Obligation Debt to Assessed Value and Net Debt Per Capita For the Last Ten Fiscal Years (Expressed in Thousands - Except for Ratio and Per Capita Data)

For the Year Ended June 30	Population		Assessed Property Value	General Obligation Debt	Net General Obligation Debt Per Capita	Net General Obligation Debt Ratio Assessed Value
1997	2,510	(forecast)	$19,894,960	$ 299,101	119.16	0.015
1996	2,483		18,383,044	244,683	98.54	0.013
1995	2,453		17,020,575	146,729	59.82	0.009
1994	2,435		16,638,626	149,261	61.30	0.009
1993	2,424		15,755,563	148,035	61.07	0.009
1992	2,394		15,200,446	132,040	55.15	0.009
1991	2,374		14,652,881	37,420	15.76	0.003
1990	2,355		13,878,920	28,075	11.92	0.002
1989	2,346		13,252,298	28,675	12.22	0.002
1988	2,343		12,669,143	29,245	12.48	0.002

Sources:
Population: State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research
Assessed Property Value: Assessment Coordination Division of the Public Service Commission

Table 4
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Revenues and Expenditures For the Last Ten Fiscal Years (Expressed in Thousands)

For the Year Ended June 30	Debt Service	Total Revenue	Ratio	Total Expenditures	Ratio
1997	$77,360	$6,890,936	.0112	$6,533,348	.0118
1996	27,413	6,710,830	.0041	6,023,397	.0046
1995	9,184	6,059,484	.0015	5,463,162	.0017
1994	12,374	6,960,842	.0018	6,363,539	.0019
1993	45,328	5,487,378	.0083	5,089,377	.0089
1992	9,920	5,844,134	.0017	5,254,720	.0019
1991	14,490	4,845,361	.0030	4,382,895	.0033
1990	8,886	4,132,296	.0022	3,650,133	.0024
1989	10,836	3,636,323	.0030	3,094,482	.0035
1988	4,762	3,401,601	.0014	2,816,576	.0017

Table 5
Revenue Bond Coverage
For the Last Ten Years
(Expressed in Thousands)

	Gross Revenue (1)	Direct Operating Expense	Net Revenue Available For Debt Service	Principal	Interest	Total Debt Service	Coverage
Arkansas Student Loan Authority							
1997	$33,702	$2,360	$31,342	$8,570	$12,554	$21,124	1.48
1996	31,471	2,076	29,395	2,575	10,968	13,543	2.17
1995	29,253	2,001	27,252	3,200	10,379	13,579	2.01
1994	22,198	1,673	20,525	3,415	7,470	10,885	1.89
1993	16,257	1,435	14,822	3,680	5,315	8,995	1.65
1992	12,876	1,216	11,660	6,680	3,734	10,414	1.12
1991	12,634	1,067	11,567	3,150	4,612	7,762	1.49
1990	12,627	1,135	11,492	3,400	5,634	9,034	1.27
1989	9,428	1,326	8,102	1,450	3,019	4,469	1.81
1988	9,295	1,273	8,022	5,650	2,894	8,544	0.94

(1) Includes principal payments on student loans which are available for debt service.

Table 6
Demographic Statistics
For the Last Ten Years
(Expressed in Thousands)

Calendar Year		Total Population	Per Capita Personal Income	Unemployment Rate
1997	(forecast)	2,510	$19,434	5.3 %
1996		2,483	18,506	5.0 %
1995		2,453	17,684	5.0 %
1994		2,435	16,786	5.7 %
1993		2,424	16,149	6.6 %
1992		2,394	15,325	7.4 %
1991		2,374	14,418	7.1 %
1990		2,355	13,474	6.9 %
1989		2,346	12,752	7.5 %
1988		2,343	11,897	7.8 %

Source:
State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research

Table 7
Economic Statistics
For the Last Ten Years
(Expressed in Millions)

Calendar Year	Gross State Product (Stated in 1992 Dollars)	Personal Income
1997	$52,424	$47,836
1996	50,840	46,112
1995	49,347	43,580
1994	46,901	40,898
1993	44,607	38,858
1992	43,095	36,469
1991	40,581	34,025
1990	39,696	31,648
1989	39,525	29,891
1988	38,408	27,883

Source:
State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research

Table 8
Property Values, Taxable Sales, Bank Deposits and Bank Loans
(Expressed in Millions - Except for Bank Number Data)

Calendar Year Ended	Assessed Property Values	Retail Sales	Banks			
			Number	Deposits	Loans	Assets
1997	$19,895	23,059	N/A	N/A	N/A	N/A
1996	18,383	22,041	233	$26,453	$17,515	$30,633
1995	17,021	20,666	242	24,057	16,298	27,987
1994	16,639	19,295	257	23,431	14,085	27,085
1993	15,756	17,925	257	22,109	12,642	25,164
1992	15,200	16,667	258	21,534	11,636	24,371
1991	14,653	15,712	255	19,388	11,060	21,860
1990	13,879	15,433	257	17,638	10,308	19,990
1989	13,252	14,448	173	7,833	4,650	8,877
1988	12,669	13,938	N/A	N/A	N/A	N/A

N/A - Information not available.

Sources:
Assessed Property Value: Assessment Coordination Division of the Public Service Commission
Taxable Sales: State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research
Banks: State Bank Department; Arkansas Statistical Abstract 1994

Table 9
Twenty-five Largest Private Sector Employers in Arkansas

	Company	Number of Employees
1.	Wal-Mart Stores Inc.	30,765
2.	Tyson Foods Inc.	21,000
3.	Baptist Health	7,000
4.	ConAgra Inc.	6,068
5.	Beverly Enterprises Inc.	4,977
6.	Georgia-Pacific Corporation	4,806
7.	Emerson Electric Company	4,184
8.	Baldor Electric Company	3,969
9.	Entergy Corporation	3,800
10.	Alltel Corporation	3,671
11.	St. Vincent Infirmary Medical Center	3,453
12.	International Paper Co.	3,431
13.	Whirlpool Corporation	3,100
14.	White Consolidated Industries Inc.	3,057
15.	J.B. Hunt Transport Services Inc.	2,916
16.	SBC Communications Inc.	2,869
17.	Dillard Department Stores Inc.	2,784
18.	Kroger Company	2,687
19.	Arkansas Children's Hospital Inc.	2,600
20.	American Greetings Corporated	2,497
21.	OK Industries Inc.	2,492
22.	Columbia/HCA Healthcare Corporation	2,459
23.	Union Pacific Railroad Inc.	2,432
24.	First Commercial Corporation	2,292
25.	Munro and Co.	2,200

1998 Book of Lists, April 17, 1997.
Source: The Firms - Arkansas Economic Development Commission

Table 10A
Miscellaneous Public Education Statistics
For the Last Ten Years

School Year Ended	Number of Schools	Average Daily Attendance	Number of Teachers	Pupil-Teacher Ratio
1997	N/A	N/A	N/A	N/A
1996	1,095	420,901	29,344	14.34
1995	1,095	418,222	28,875	14.48
1994	1,119	414,065	28,550	14.50
1993	1,082	411,306	28,180	14.60
1992	1,095	409,174	28,206	14.51
1991	1,103	406,631	25,360	16.03
1990	1,097	405,586	25,110	16.15
1989	1,101	405,765	24,943	16.27
1988	1,112	409,314	24,611	16.63

N/A - Information not available.

Source:
Annual Status Report of the Public Schools of Arkansas and Arkansas Statistical Abstract

	Expenditure on Education Per Pupil in Daily Attendance			% Revenue from State Government		
Calendar Year Ended	U.S.	AR	AR Rank	U.S.	AR	AR Rank
1997	N/A	N/A	N/A	N/A	N/A	N/A
1996	$6,103	$4,353	48	47.90 %	65.40 %	7
1995	5,894	4,059	49	46.00	63.60	9
1994	5,730	3,949	49	45.80	62.70	11
1993	5,616	3,928	47	46.90	62.30	11
1992	5,466	3,770	46	47.90	62.80	12
1991	5,261	3,334	48	48.90	61.20	12
1990	4,890	3,272	48	48.70	59.50	13
1989	4,602	3,145	48	49.50	58.60	15
1988	4,216	2,410	51	50.19	61.30	11

N/A - Information not available.

Source:
National Education Association Research, Rankings of the States - 1996

Table 10B
Miscellaneous Higher Education Statistics
For the Last Ten Years

Public Institutions

	Fall Net Enrollment	Degrees Awarded		
		Undergraduate	Graduate	Total
1995-96	90,276	12,543	2,729	15,272
1994-95	89,466	11,907	2,823	14,730
1993-94	89,230	11,684	2,754	14,438
1992-93	88,764	11,351	2,641	13,992
1991-92	81,121	9,126	2,408	11,534
1990-91	77,554	8,515	2,297	10,812
1989-90	73,035	8,125	2,370	10,495
1988-89	69,204	7,648	2,433	10,081
1987-88	66,495	7,414	2,387	9,801
1986-87	65,743	7,235	2,193	9,428

Private Institutions

	Fall Net Enrollment	Degrees Awarded		
		Undergraduate	Graduate	Total
1995-96	10,969	1,786	80	1,866
1994-95	10,703	1,566	59	1,625
1993-94	10,602	1,634	73	1,707
1992-93	10,422	1,675	62	1,737
1991-92	10,145	1,730	63	1,793
1990-91	10,051	1,616	105	1,721
1989-90	9,788	1,601	92	1,693
1988-89	9,609	1,596	85	1,681
1987-88	9,013	1,541	101	1,642
1986-87	8,906	966	42	1,008

Source:

On-Campus Enrollment and Geographic Origins in Arkansas Higher Education - Fall 1996 Student Enrollment.

Annual Summary Report of Degrees Granted by Arkansas Institutions of Higher Education; 1995-96 Degrees and Certificates Awarded by Arkansas Higher Education

Table 11
Miscellaneous Statistics

Date of Statehood	1836
Form of Government	Constitutional Representative Government
Land Area	34,036,700 Acres
Miles of State Highway	16,288
State Police Protection:	
Number of Stations	22
Number of State Police	505
Higher Education (State supported):	
Number of Campuses	32
Number of Students	90,276
Recreation:	
Number of State Parks	48
Area of State Parks and Forests	51,003 Acres
Number of Museums	5